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LATIN AMERICA REPORT

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INTER-AMERICAN AFFAIRS

ARGENTINE, BRAZILIAN GEOPOLITICAL STRATEGIES COMPARED

Buenos Aires CONVICCION in Spanish 29 Jul 80 p 5

[Article by Alfredo G. Kohn Longarica]

[Text] On another occasion we discussed the fundamental importance that Brazil attaches to Portugal's former African colonies in its geopolitical strategy.

Itamaraty has closely monitored developments in the five Portuguese-speaking states on the dark continent, and we can assert that despite sharp ideological differences, it maintains smooth relations with them.

We need not recall the traditional prestige of Brazilian diplomacy, its proverbial pragmatism, the serious training that Brazil has traditionally afforded its diplomats and, finally, the persistence with which it has carried forward its geopolitical programs.

Because of all this and especially because everything that Brazil has done, is doing and will do is of interest to us Argentines and affects us directly or indirectly, the specialized spheres of our Foreign Ministry ought to thoroughly analyze the visit by the president of the Republic of Guinea-Bissau.

Luis Cabral, accompanied by his ministers and a large delegation, spent a week in Brazil last month, and the reception given him was accorded major importance. Pursuant to its strategy, Brasilia regarded the visit as of primary importance, and the treatment conferred on its visitor brought out the vast array of resources that warm Brazilian hospitality has access to.

From a geopolitical standpoint Brazil obviously plays its role in two clear-cut ways. On the one hand, it generates events and does not wait to react to the developments triggered by other states; on the other, it clearly defines its role as a world, not just a South American power. Its sphere of geopolitical influence goes far beyond the borders of South America.

With more than 110 million inhabitants, Brazil today is not only one of the most populous nations on earth, one of the most homogeneous nationalities on the planet, the largest Catholic state in the world and one of the biggest countries in surface area. It is also, and fundamentally, the head of a Portuguese-African-Brazilian community that extends over three continents, borders on at least two oceans (we are ignoring Macao), covers two hemispheres, is made up of two races and is unified around the Portuguese language and a historical, legislative and economic tradition of unique characteristics.

For all of these reasons, Brazil will play an increasingly important role in Africa, the Caribbean and the Atlantic in general, areas which certainly possess strong geopolitical energies.

In light of the picture that we have painted, we must inevitably ask ourselves whether Argentina has developed suitable answers to the moves that Brazil has made on the international chessboard.

A response to this question would undoubtedly involve us in the sticky problem of analyzing Argentina's foreign policy from a historical perspective. But our intention is to judge the present, not the past. In this regard, we can assert that in recent years our country has taken a number of basic steps that we cannot overlook.

In the past we have perhaps had elites with a grand vision of man, his freedoms and his proper upbringing. We also need this class of men today, but it is also imperative to train leaders with a clear view of space and resources.

In recent years our country has developed a solid and independent nuclear policy, has significantly expanded its capacity for moving people and things, has built international airports at key points such as Jujuy, Rio Gallegos and Marambio (Antarctic), has constructed bridges that finally made possible smooth exchanges of all kinds with Uruguay, has shaped its own border policy, has integrated its Mesopotamian region, which was isolated from the country for centuries, has become aware of the population problem and the dangerously small number of inhabitants in Patagonia and the Antarctic, has undertaken a de facto occupation of the Sandwich Islands, which it previously claimed de jure, has once again realized the need for a national demographic policy and lastly, though perhaps first in strategic importance, it has inaugurated commercial transpolar air transport as a result of the historic flights in 1973. This last named development is essential to the country. It reduces flight times to the Far East by one-third and, above all, makes our country a stopover region, not a terminus. The trans-Antarctic flights are perhaps the most important geopolitical development in recent decades.

Therefore, in light of this somewhat positive situation, we wonder why we are turning our back on Africa. Why has Argentina not yet made any specific move with regard to the Republic of Equatorial Guinea? Can we be unaware that this is a Spanish-speaking African nation that faces the Atlantic and that in a way is looking right at us? We do not know whether Mexico or Venezuela has made a move in this direction. Nevertheless, we are firmly convinced that Argentina ought to do so, especially now after the fall of Macias, the despot who tyrannized Equatorial Guinea, and after the nation has returned to the Western community.

Perhaps a look at Brazil's African policy will inspire our Foreign Ministry to develop positive steps with regard to Equatorial Guinea. They are a geopolitical necessity that have to do with the country's future. If we forget about Equatorial Guinea, others will certainly remember the tiny republic, which, as we pointed out, is the only Spanish-speaking nation in Africa.

8743

CSO: 3010

ARGENTINA

'LA NACION' UNDERSCORES IMPORTANCE OF GRAIN DEAL WITH SOVIETS

Buenos Aires LA NACION in Spanish 24 Jul 80 p 8

[Editorial: "Grain Agreement With the USSR"]

[Text] A major trade agreement has just been signed with the Soviet Union for the sale of 20 million tons of grains and 2.5 million tons of soybeans over a 5-year period. The agreement has been interpreted as an upshot of the situation created by the grain embargo that the United States ordered against the USSR, but this is not the only reason, because there is a background to our growing trade ties with the eastern bloc and especially with the USSR that can be verified simply by looking at our foreign trade statistics.

The most accurate interpretation of this agreement is that in the wake of the resurgence of Argentine agricultural output, Russia is in a position to diminish its dependence on the United States, whose hegemony on world markets made possible an agreement 4 years ago to sell the Soviet Union at least 8 million tons of grain a year. Argentina's vigorous reappearance on world markets enables the Soviets to cut back their trade dependence on a sole supplier. It is even more important for the buyer to reduce its dependence because not only is the supplier a political rival but the American president has recently reaffirmed his decision to maintain the embargo as an alleged means of applying pressure. As we have stated here on several occasions, the embargo is not an effective tool in the U.S. Government's efforts to offset Moscow's mounting pressures in various political hot spots, especially in connection with the invasion of Afghanistan. Indeed, the facts seem to demonstrate that it has been ineffective and that it is gradually winding down.

This agreement is of unprecedented scope for Argentina's agriculture and enables us to enter the realm of the major transactions between the main grain-growing powers and the communist world that began in the 1960's and increased during the 1970's. Our country was left out of this development because its agricultural sector contracted. It was the United States that secured the most important contracts at that

time and that, in addition, built up the aforementioned predominance on world markets. It achieved this through the extraordinary efficiency of its production sector, through support measures implemented via its pricing, reserves and credit systems, as well as through subsidized overseas sales. In this regard, the U.S. Government took action in particular under Law 480, which permitted sales to other nations payable in soft currencies, provided for aid grants, sales with very long payment terms, etc. During the 1970's the United States captured almost two-thirds of the world wheat, corn and soybean markets, and because of this its president now thought that he could utilize food as a tool in his foreign policy.

Seen in this overall context, the agreement with the USSR represents an interesting side to Argentina's return to world markets. Since we have another agreement with China and since other pacts, whether signed or de facto, are also in effect, our growers will enjoy greater stability when it comes to planting their crops and carrying on their business. But in addition to a success, this agreement is a challenge to our production capacity, which can in no way decline. The increase in our harvests was interrupted this year by the summer drought and other accidents, and there are question marks regarding the upcoming season that we have already pointed out. A number of external ones, such as marketing and prices, cannot be answered just as a function of this agreement; much depends on a number of unpredictable variables, such as the uncertain coarse grain harvest in the United States, which has been hard hit by a heat wave that damaged a number of crops and boosted world prices.

On the home front, it is still too early to tell how costs and prices will develop, inasmuch as we will have to see the regulations connected with the economy minister's announcements.

8743

CNO: 3010

POTENTIAL PROBLEMS FACED BY PERU'S BELAUNDE VIEWED

Buenos Aires LA NACION in Spanish 27 Jul 80 p 8

[Editorial: "The New Government in Peru"]

[Text] Architect Fernando Belaunde Terry will assume office in Peru under circumstances that will immediately test the scope and strength of his electoral victory, in view of the urgent problems (mainly economic and social) which were cited as a mobilizing factor during the 2 months between the elections held last 18 May and the date when the new president will take office.

Belaunde, who swept into victory with a vote that easily exceeded the 36 percent required for the direct nomination of the president in general elections, reached that position as a result of intelligent, attractive, unity-inspiring proselytism that yielded him uncalculable massive support among all sectors of the Peruvian population. Thus, he is the clear choice of the people, and has undeniable popular influence.

Nonetheless, it must be noted that Belaunde's electoral results, unlike those of his opponents, were based on proposals bereft of sharp antagonism and exclusive opposing positions, although there was some vagueness in the specific proposals.

Now, given those proposals, he will have to confront antagonism and opposition, both sharp and exclusive, on the part of those who will try to recover from the electoral defeat by hoisting the banners of demands and popular discontent. Both of these issues are sufficiently grounded in reality to provide convenient ammunition for demagogues.

The second and third political forces in the electoral order, the American Revolutionary Popular Alliance (APRA) and the Popular Christian Party (PPC), were left so far behind Belaunde's Popular Action that even if their electoral totals were added together they would not have the clout to impose on Belaunde the kind of parliamentary leverage he had to contend with during the alliance between APRA and Odría's party when he was president before, from 1963 to 1968. Moreover, the electoral fiasco which befell the entire spectrum of the Marxist Left, due to a doctrinaire extremism which led to dissension by its own downfall and alienated the masses, has left a potential vacuum that the Left will try to fill or that APRA will attempt to occupy vicariously.

In fact, APRA is temporarily representing the Left in the Peruvian political panorama which has emerged since last May's elections. In that situation, it has naturally opted to assume the position of the institutional opposition. In the same manner, the PPC has already expressed its dissatisfaction with the cabinet nominations presented by Popular Action. It is to be expected that it will maintain a strategic distance from the latter, as its leader Luis Bedoya Reyes successfully tried during the constitutional era of the sixties.

All this means, in principle, an erosion of the "broad base" of support which Belaunde hoped for in his government, above and beyond his majority, in order to work for the incipient democratic development of the nation. In this sense it must also be pointed out that Belaunde has no ties with labor organizations in Popular Action. The labor sectors have been absorbed by the Marxist and Aprist leadership of existing union organizations, which lends strength to leftist booby traps.

There is no doubt, then, that the hoped-for success of President Belaunde's administration, presaged by his resounding electoral victory, will depend on the degree to which he can deal with these traps, preventing them from taking on the subversive character which has overshadowed recent circumstances, or the conditional power of some "unanimities," depending on how negotiations proceed with the bills for the return of the daily newspapers to their legitimate owners, and for labor amnesty.

8926

CSO: 3010

MILITARY TO RETAIN KEY POSTS IN NEXT ADMINISTRATION

Buenos Aires LA NACION in Spanish 3 Aug 80 pp 8, 18

[From the column "Political Week"]

[Excerpts] Agreement Among the Three Branches

The Army, Navy and Air Force are in agreement that there should be a qualitative improvement in civilian participation in the next administration that is to take office on 29 March 1981.

The Military Junta met this week before starting a recess which will last until 15 August, but during which the general secretaries of the Armed Forces (the direct political advisers of the commanders in chief) must continue to progress in devising the guidelines and objectives for the years of government from 1981 to 1984. That endeavor will indicate the operational framework within which the new president must act, and the goals and orientation that will serve as the basis for the policy to be formulated by the Executive Branch during that 3-year period.

There is no dissent whatsoever among the commanders in chief regarding the need for increasing the number of ministries, posts which have been held by civilians to date, in the forthcoming government. But they have not yet reached agreement on the exact portfolios which, in the Junta's view, should continue to be given to the military.

The Military Junta has apparently not considered that specific topic yet, although it may be expected to be studied during the next 2 weeks by the general secretaries, that is, by Gen Reynaldo Bignone, Rear Adm Jorge Casas and Brig Basilio Luis Dozo. One of the criteria which may possibly reach that conference table and may become a starting point for the talks is the one citing the feasibility of reserving the Interior, Labor and Defense Ministries for the military.

The Foreign Ministry

In accordance with that criterion, the status of the Foreign Ministry should tend to be civilian-oriented, if it is thought that there is an ideal

candidate available to head it. The military are not unaware of the fact that, on principle, a civilian foreign minister might be better equipped than a member of the military to underscore the desire for democratization of the process, and hence to achieve greater penetrability for statements of Argentine government policy in many parts of the world.

Based on a balanced assessment of this, there is a reasonable tendency toward limiting the number of military ambassadors to countries with military governments or with unique features, such as Mr Sadat's administration in Egypt may possess. In fact, our embassy in Cairo is headed by Gen Luis Jorge Warkmeister; but, for the same reasons which we submitted previously, it would appear that the change of regime in Lima may at some time lead to the appointment of a civilian ambassador there, instead of the naval commander who is accredited at present.

In the long run, we shall have to find a way of wisely harmonizing the principle with the concrete details in each instance. For example, in the case of Belaunde's democratic government, it is obvious that, despite the circumstances, known to the public, which precluded Videla's visit to Lima to participate in the swearing-in ceremonies for the new government, there has been, to some extent, such a handling of Argentine-Peruvian relations that it afforded, first, a sudden visit by Manuel Ulloa (now the prime minister of Peru) to converse with President Videla and to mitigate the unpleasantness of those circumstances; and, secondly, mention by Belaunde of the memory of San Martin, no less, in his presidential inaugural speech, something which, from a diplomatic standpoint, is tantamount to a government-to-government message.

The Governors

The notion currently held by the military authorities is that of bolstering civilian participation in government activity qualitatively, and not quantitatively, so to speak. In his message to over 800 intendantes convoked here in June by the interior minister, President Videla said that, out of a total of more than 2,000 intendencias, about 1,750 were headed by civilians.

Nevertheless, what the president did not say was that virtually all the intendencias with real political clout in the country were entrusted to members of the military. Thus, in this area the significance of the change that will occur upon the advent of a new president in the Casa Rosada consists of the fact that the Executive Branch will have more maneuvering room to bring more civilians into the national cabinet and, on principle, to initiate a policy of appointing civilian governors.

For more than a year, President Videla has been cognizant of the feasibility, from many different standpoints, of beginning such a policy with the appointment of a civilian in some small province. But, just as he has had to abandon the dream of issuing a statute on the political parties before leaving the Casa Rosada, he has also had to become resigned to the impossibility of appointing a civilian governor because he lacks a sufficient amount of military backing for so doing.

As a matter of fact, it may be claimed that if there is at present a military force more perceptibly interested than others in the order to hasten the procedures for the passage of a new statute on the political parties it is the Navy. As for the civilian governors, it is obvious that the new president will, at the outset, discover a favorable atmosphere, in general, for gradually initiating in this institutional area a new phase of the process.

The Ministry of Interior and Buenos Aires

The matter of the governorships is a topic which has not been discussed in detail during the talks held by the Military Junta and between the entities advising the commanders in chief, and hence there is virgin territory for the immediate exploration to be done, based on the fact that the time has come to do away with the monopoly of military governorships. But, where should it begin, and what should be done with the present governors? Nothing has been said about this yet.

While, on the one hand, it is clear that highly important political reasons prevent the transfer of the leadership of a ministry such as that of interior to a civilian at this time, on the other hand, it is impossible to make a sensible claim that a province such as Buenos Aires will cease to be headed by a member of the military after the forthcoming change in presidents. If such evidence is considered in accordance with the perception of the surrounding reality that common sense indicates, one would say that what will happen in the long run is that the Military Junta will approve a basic plan and, on that basis, be willing thereafter to listen to what the president who is to be appointed has to add in this regard.

Political Realism

It is understood that Lt Gen Viola, whose opinion political and business owning circles are attempting to gage with increasing interest, thinks that a president resulting from the reorganization process should faithfully keep the commitments which form the foundations of the associative system of authority, but that he should also be able to exercise the powers which those commitments assign to the president of the nation. One of those powers is that whereby the president selects his ministers.

Lt Gen Viola is of the opinion that, in these times, a president would show a lack of political realism if he were to attempt to form a cabinet comprised exclusively of civilians or only generals; or if he were to attempt to form it with admirals and brigadiers, without consulting the respective commanders in chief. He also entertains the notion that the natural system of loyalties which should govern the relations between a president and a minister at any time has benefited if the president has been the real creator of the initiative which ended up converting the latter into his collaborator.

3 Years

The last time that the Military Junta agreed on "guidelines and objectives" for the running of a government was in connection with the period 1979-81. Now, it proposes to do so for a longer interval, 1981-84. When this has been officially announced in these terms, we shall also know that the military have only decided that the next presidency will last for 3 years.

There is no great doubt on that score, but it behooves us to recall that, when the issues concerning this second Videla presidency were being debated, the Army originally proposed a 4-year term in office. This motion did not succeed in the Military Junta and, insofar as is known, no one is stressing the point again at present.

In any event, at least in military circles dissociated from the Army, there is a trend of political opinion aimed at pointing out that, if the Armed Forces were certain that they would be faced with extreme difficulty in having two military presidencies rather than just one after that of Videla, they should not reject the possibility of a term from 1981 to 1985. But, nevertheless, according to that trend of opinion, the Military Junta would have no reason to bind itself, stipulating a 4-year term now.

The Military Junta will meet again on 15, 19 and 22 August. It is assumed that, by then, the matter of the guidelines and objectives will have been settled, so as to clear the way in September for the appointment of the new president. This week, a political spokesman for the Air Force said that, what will happen is that, sometime in September, the commanders in chief will agree on the naming of the new president, "and then they will not even tell their subordinates until 29 September."

2909

CSO: 3010

GRAFFIGNA ON PRESIDENTIAL SUCCESSION, CURRENT ISSUES

Buenos Aires LA PRENSA in Spanish 6 Aug 80 p 10

[Text] Rosario, Santa Fe (NA)--The commander in chief of the Air Force, Brig Gen Omar Domingo Graffigna, claimed to have no knowledge of the Army's already having named the successor to President Jorge Rafael Videla, while at the same time (in discussing the military Air Force) predicting that its commander "will tell at the proper time who the candidate is, from his point of view."

The Air Force commander arrived in this city for an inspection tour of the local garrison and, in response to a question from newsmen, announced that on 15 August, the Military Junta would continue its analysis of the matter of the presidential succession.

With the Press

The Air Force commander held a dialog with the press, expressing the view that dialog was constructive, "when people approach one another and voice their approval or disapproval, which is good and very constructive."

He also made statements concerning the dispute with Chile, emphasizing that, "We are perhaps undergoing the final stages involving the dispute over the south between Argentina and Chile. This is one of the subjects on which I do not like to give information, because, as I have always said, the higher the rank that one holds, the more cautious we must be." He added: "We have confidence in the circumspection and wisdom of the Pope, and we believe that he can bring us a good solution."

The Economic Measures

On the subject of the recent economic measures, he subsequently stated that they are tools for trying to attain the goals set in the economic philosophy of the Armed Forces' process itself. He remarked: "These measures are not always easy to implement; they are difficult. We are often seated at a table seeking solutions to problems, and when we are responsible for implementing them, they do not prove to be so easy as had been thought."

'Bolivia's Problems'

In reply to a question, he commented: "Bolivia's problems belong to the people of Bolivia. We constantly uphold the principle of nonintervention. We believe that to be one of the basic rules for coexistence. We also constantly state that we must not interfere in the problems of other countries; and, periodically, many of them meddle in ours and in those of other nations.

"We are highly respectful of Argentine problems; we arrive at agreements among Argentines.

"With regard to Bolivia, the nations should not interfere in its internal affairs. That is a rule that must be followed, if we want them to respect us in the future."

He later expressed his interest in the reactivation of the private aeronautics industry, noting: "Hence, that industry should be backed for the development of its aircraft, realizing that it will not be very productive at first, because its costs will always be rather high at the outset."

In conclusion, he claimed that he had no knowledge of the Army's having submitted anyone's name as successor to President Videla. "Insofar as the Air Force is concerned, its commander will tell at the proper time who the candidate is, from his point of view." He also gave a reminder that the nomination of the new president is not an election, but rather an appointment made by the Military Junta.

1909

CSO: 3010

COMPARATIVE STUDIES TO PRESENT ALTERNATIVES FOR NEW CABINET

Buenos Aires LA PRENSA in Spanish 31 Jul 80 pp 1, 6

[Text] We have succeeded in procuring from well-informed sources further details regarding the studies being made at the order of the Military Junta designed to offer the president who will be appointed by that state entity alternatives for a reorganization of the national cabinet.

As we announced recently, these studies were submitted for the consideration of the three commanders in chief of the Armed Forces at the last meeting that they held at the headquarters of the commander in chief of the Army, by the secretary of planning, Brig Jose Miret; and the president of the nation, Lt Gen (ret) Jorge Rafael Videla was present while they were being explained.

Records Used

In order to perform this task, the Secretariat of Planning collected and analyzed the historical records on the subject, as well as the comparative legislation on the operation of ministries existing in 19 American and European countries.

On the basis of these records, a determination was made within the aforementioned Secretariat of which ministerial organizations in the internal area have endured longest in time and in the practical implementation of their mission, as well as of the results noted in the countries chosen for comparison.

The fundamental idea underlying the work being done is that of avoiding the perpetuation of an interventionist state controlling the economy in the future.

The records in the country concerning what we have just observed indicate that, in 1856, there were five ministries, and in 1949, during the Peronist regime, there were 21 state departments with that rank.

In Argentina

In the Argentine Republic, the record indicating the least number of ministries is precisely that of the administration in 1856, with five ministries.

This legislation was amended in 1898, when it was stipulated that there be eight ministries in operation, with the economic areas divided into Secretariats of Treasury and Finance, Agriculture and Public Services.

The presence of eight ministries comprising the national cabinet continued for 49 years in the nation's history, from 1898 to 1949, when the government of Juan Domingo Peron approved the constitutional reform ordering the operation of 21 ministries which (according to the studies that have been made and what events have indicated) resulted in an interventionist state controlling the economy.

By December 1955, with Peron overthrown, there were 17 ministries; however, the next year the country had four fewer.

During the presidential term of Dr Arturo Frondizi, there was a return to the system of eight ministries; but two state secretariats were in turn created.

At all times the most significant changes took place in the economic area and, in some instances, that state department included economy and labor, as was the case during the government of the so-called "Argentine revolution," when Lt Gen Ongania took over the government.

Under that same government of the Armed Forces, President Lanusse, after changing the National Constitution, brought the number of ministries to 12, disbanding several state secretariats.

Finally, during the Campora presidency, there was a return to the eight ministries, and other secretariats were created.

At Present

At the present time, the conclusions which appear evident are that, in the economic area, there is a large amount of centralization of departments which make it oversized, and it is claimed that the content of the law on jurisdiction best adapted to the basic documents of 24 March 1976, in the present national reorganization process is that which was in effect in 1898.

Comparative Legislation

For the comparative legislation (as we have noted), 19 countries with features most similar to those of Argentina were selected.

Two conclusions were drawn: one a quantitative conclusion, indicating that the average for American nations is 14 ministries, an index which was also observed in the European countries selected for comparison.

Of the nations chosen as examples, Argentina is the one with the smallest number of ministries at present; but it is also noteworthy that, of the 19

countries which were analyzed, not one runs a department of economy with such a high degree of centralization as ours.

On the basis of these historical and current details, and considering the fact that the best period of growth noted in the country took place during the 49 years when the legislation passed in 1898 was in effect, the conclusions would appear inclined toward legislation resembling that in force during the latter interval.

The Presidential Decision

It should be added that, as soon as the Military Junta gives its approval for the alternatives that have been submitted, it will be decided when they are to be placed at the disposal of the national Executive Branch.

One of the possibilities cited most is that of reporting them to the superior officer whom the Military Junta designates this September to succeed Lt Gen Videla in the office of the presidency, for the purpose of making provisions for the time when they are put into effect in March 1981.

2909

CSO: 3010

MARTINEZ DE NOZ OUTLINES NEW PHASE OF ECONOMIC PROGRAM

Buenos Aires CLARIN in Spanish 11 Jul 80 pp 10-11, 51

[Text] The principal measures announced by the minister of economy yesterday evening are the following: 1) generalization of the value added tax, replacing 23 minor taxes and later, two major taxes: personal income and gross income; 2) elimination of employers' retirement contributions and to FONAVI [National Housing Fund]; 3) tax incentives for the purchase of equipment and investment in marginal land; 4) relative reductions in the cost of electricity and gas for industry; 5) elimination of tariffs on factors of production not produced locally; 6) the partial incorporation into tariffs of eight nontariff duties, resulting in their elimination; 7) a single 20-percent ceiling on tariff reductions for 1984; 8) provisions for making different imported vehicles cheaper; 9) elimination of the exemption for accompanied baggage; 10) continuation of the foreign exchange guidelines; 11) elimination of the minimum period (to date, 1 year) for foreign financing; and 12) encouragement of long-term domestic credit.

The continuation and deepening of the announced economic program was outlined last evening in the speech delivered by Jose A. Martinez de Noz and the series of measures he presented.

Except for the immediate suspension of tourist customs exemptions, the effects will be felt as the measures are applied.

The concentration of business seems to be the first order of the day. Incentives are given to large-scale enterprises, favorable rates are granted to large-scale users of energy and there is a reduction in costs through the elimination of employers' retirement contributions, whose effect will be in proportion to the number of employees. The large business conglomerates in sectors using large amounts of labor will be the greatest beneficiaries of the adjustments.

Incentives are provided for investing in capital goods, which will be used advantageously by those adapting to the plan.

The other guideline has to do with the transfer of the tax burden, from direct to indirect, to consumers, represented by the generalization of the value added tax. In the meantime, through the allocation of resources, the principle of concentration will be respected: Specific funds disappear into the single channel of the budget, out of which retirement pensions will be paid proportionate to the amount paid in by employers.

These two guidelines, concentration and a shift to indirect taxes, are not being initiated now but the measures give a decisive boost to the shift.

While the elimination of fringe benefits paid by employers is more beneficial to industries with a higher proportion of wage costs, the financial norms that eliminate any minimum period for the contracting of foreign loans have two simultaneous objectives: reducing financial costs, particularly for those with direct access to that source of credit, and maintaining the level of reserves, at least in short-range terms.

Foreign Relations

At the same time, the foreign exchange guideline remains unchanged, meaning that not only is this source of loans encouraged, but rather, incentives are given -- even with special measures in the case of vehicles -- to increased imports, while inhibiting exports, which will not be helped by the reimbursements required to relieve regional economies. On the other hand, regional economies may benefit from tax exemptions for investments in marginal land.

Within the same context, duties are eliminated in the case of imported factors of production not produced locally, which is an incentive for the processing industry. However, there are no provisions encouraging the national basic industries.

The significant reduction in industrial energy costs -- with differential rates -- fits into this framework, but it is accompanied by the question of what kind of treatment will be given to the consumption of energy in homes.

The measures outline an economic and social situation characterized by a concentration of business in chosen sectors, marked by strong ties with foreign countries.

In the immediate future, the generalization of the value added tax will cause a sharp increase in prices, which has been estimated at an additional 7 or 8 points of inflation during the first month. In medium- and long-range terms, it is claimed that the series of reductions in costs will result in a containment of inflation indexes. However, there will be an initial sacrifice borne by the broadest strata of consumers, even through the purchase of basic items, henceforth burdened by the value added tax.

In a speech designed to announce what he called "a new phase in the application of the economic program," the minister of economy first drew a picture of the different economic sectors -- principally the public sector -- and then enumerated the measures making up the structured plan, explaining, in certain cases, the reasons for them or the effects sought.

Among other provisions, the package contains the generalization of the value added tax and the increase in its ceiling (from 16 to 20 percent); elimination of the employers' contribution to retirement amounting to 15 percent and of contributions to FONAVI; an elimination of customs exemptions for accompanied baggage; and an extension of economic openness and the encouragement of foreign loans.

He also repeated that "there will be a continuation of the foreign exchange policy," denying that "a strong devaluation would be a magic remedy curing all evils or all the difficult effects of this process of transformation now underway."

The minister of economy spoke yesterday to present the package of measures making up the "new phase in the economic program" and whose general objective is to promote a reduction in industrial costs. Martinez de Hoz' address lasted approximately an hour and 45 minutes and concentrated on three issues: The first was a general review of economic management, the second was a specific analysis of the public sector and the third contained the announcement of the series of measures.

In characterizing what he called "a new phase in the application of the economic program," the minister of finance manifested the "continuing willingness to adjust or correct application of the program in the light of those reactions or what could be considered as errors in implementation or due to changes in the situation of the domestic or international economy," emphasizing that the "two basic pillars on which we have built the execution of the economic program are the principle of the subsidiary nature of the government and that of an open economy."

The head of finance emphasized the three record harvests obtained during the first three years of his administration, although he admitted the drop in production during the last season due to the well-known climatic conditions.

Martinez de Hoz then spoke of industry, stating that "it has been a constant concern of ours to modernize and equip our industrial apparatus. With this goal in mind, we have reduced imports duties on taxes on imported capital goods not produced locally to 0." Imports of capital goods in 1978 amounted to \$1.7 billion.

After reviewing the consequences of the new legal framework for the transfer of technology, the minister spoke of the foreign sector, emphasizing the

increase in exports between 1976 and 1979. He anticipated that in 1980, there would be a reduction on the order of \$1 billion and that the trade balance will be even.

Martínez de Hoz then emphasized the improvement in international reserves and their effect on negotiations for loans abroad. He illustrated the effect with the bidding for turbines and generators for Yacyretá (which bids were opened on Tuesday). Bids were received for 20 years of financing with 10 years of deferment, an annual interest rate of 7 and 3/4 percent and prices 30 to 50 percent under international rates.

The minister admitted the increase in the foreign debt, but he emphasized that that debt "is perfectly compatible with our ability to pay."

He also took up the financial reform, emphasizing its importance in order to rebuild internal savings and "finance our economic growth." Concerning the recent episodes in the sector, the minister expressed his belief that "the result has been that the system has emerged strengthened."

Martínez de Hoz then referred to the concern that "the government, and especially its enterprises, are absorbing the major portion of the credit available," stressing that he wanted to remind people that "in the constitution of the origins of the resources of government enterprises, only 50 percent is financial in origin."

Wage Policy

With respect to the wage policy applied, the minister of finance said that "along with the process of regaining our productive capacity, we have gradually liberalized the wage policy and beginning on 1 September 1979, that policy has consisted of having the government periodically set the levels of the minimum wage and the so-called bargaining basics. In addition, there is complete freedom for concertation by an agreement of parties for the remuneration of workers."

After emphasizing that in this way, the harmful system of massive increases was eliminated, he added that "this process has gradually developed in a context of full employment. When we took office," he continued, "the rate of unemployment was about 5 percent, with a prospect of a higher rate."

"From the very beginning, we promised to make a maximum effort so that this would not come about and so that on the contrary, the rate would go down. This is what has happened in practice and the month of April confirmed the trend with a rate of 2 percent. This means only temporary unemployment, resulting from persons changing jobs. It is a situation of full employment and consequently, it serves as an element for strengthening the wage level due to competition resulting from a higher demand for labor than currently exists."

Continuing on the same topic, he indicated that based on INDEC [National Statistics and Census Industry] surveys between the second quarter of 1976 and the first quarter of 1980, it had increased 20 percent in real terms. He stated that at the present time, "there has been an increase in the number of jobs available with higher pay and greater specialization and technical training. In other words, it is a modern industry with higher technology, offering broader opportunities for jobs and better pay than an antiquated, obsolete and weak industry."

Public Sector

Regarding the public sector, Martinez de Hoz stated that "the redefinition of the function of the state has also implied the need to bring about a re-dimensioning of the state, its apparatus and its functions, which has required a great effort. The results are not always fully understood or perceived by public opinion, inasmuch as reference is often made to the very structure of the administration and results are not really very visible."

Martinez de Hoz then spoke of the public income policy, emphasizing that "when we speak about the strong tax pressure that now exists and recognize that since 1978, it has represented something more than 25 percent of the gross national product, its composition must be taken into account. We shall then see that national taxes represent 12.5 percent, provincial taxes 3.5 percent, the social security system 8.8 percent, and the remainder divided among the different minor taxes."

Public Spending

Martinez de Hoz later spoke of the strategy of reducing and rationalizing public spending, stating that "the net participation of the public sector in the economy, including the social security system, has dropped by 10 percent between 1975 and 1980, going from some 35 percent of the gross national product to 32 percent."

After stating that the action to be taken is concentrated on five basic points, including the rationalization of the public administration, reorganization of government enterprises, the program of converting public enterprises into private enterprises, the transfer of public works and services to provinces and municipalities and the programming of public investment, the minister explained what had been done in each area.

Concerning the first point, he said: "The rationalization of public administration and the elimination of surplus personnel have been achieved, since the entire public sector of the country has reduced the number of employees by over 200,000.

"In order to have an adequate measure of these results," he continued, "we must realize that some 60 percent of that personnel form a rigid structure making it impossible to reduce that percentage substantially. I am referring

to the teachers, for example, to judges, to public health personnel such as nurses and other workers, and to armed forces and security personnel. The rest -- 40 percent of the total -- is the number on which we have been able to take action and out of which one must compute the 200,000 persons, who therefore represent a 25-percent reduction in the reducible total -- that is, the flexible 40 percent."

Concerning the reorganization of government enterprises, he said that in 1976, "out of a total of 15 major public services enterprises, 14 were receiving subsidies from the Treasury. In 1978, we managed to reduce that figure to only two national railroads and ENCOTEL (National Mail and Telegraph Enterprise)."

With respect to the third point cited, the restoration of private ownership, the minister of finance emphasized that during his administration, "the national government has released control of 91 enterprises and the program is nearing completion. One of the largest enterprises that is still to be sold -- I am referring to SIAM--will be put up for public bidding in the coming days."

He added that the case cited is one of the enterprises classified as commercial and industrial companies that were intervened by the government. A second category is made up of firms that produce raw materials, intermediate goods or capital goods and industrial products, and the third includes public enterprises and services.

Concerning the third category, he stated: "The action taken has perhaps been silent in nature but it has been continuing. We might cite the single case of the Argentine Railroads, which was the object of a profound reorganization and process of redimensioning with the closing of tracks, branch lines and stations and obviously, with the restoration of private ownership or closing of railroad shops. To date, three have been closed. A fourth case is about to be taken up and we are also negotiating the possibility of selling another large railroad shop. We also have the case of the Buenos Aires Underground Railroad, which was transferred to the municipality last year and the latter, in a very satisfactory move, has now decided to place the restoration of private ownership and its expansion up for international bidding."

Regarding the fourth point, the transfer of public works and services to provinces and municipalities, Martinez de Hoz said that the process "is based on the rebuilding of the financial capacity of the provinces which we had previously done." He also explained that the strategy adopted is based on three principles: the principle of the subsidiary nature of the state, that of immediacy or greater effectiveness in the providing or administration of these services by local authorities and their financing by tax resources rather than through contributions from the Treasury.

Finally, with respect to the public sector, the minister spoke of the redesigning and reorganization of the investment program. He explained

that action concentrated on two fronts: limiting the amount to levels compatible with the country's financial capacity and establishing a strict order of priorities.

The minister then said that between 1976 and 1978, the level of investment was situated at 11.5 percent. In 1979, it dropped to 10 percent and in 1980, to 8.5 percent. Martinez de Hoz anticipated that through the application of the 10-year program this decade, the level will drop to 7 or 6.5 percent.

Finally, he stated the following: "If we face the reality of the economic and financial situation, we shall avoid contradictions that we often note in manifestations of public opinion. For example, we are often asked to reduce public spending so as to halt the inflationary process, but at the same time, we are asked to complete a major program of public works and services throughout the country. In some way, people have to realize that we cannot be asked to raise the salaries of public employees and complete major public works projects while reducing public spending and cutting taxes and public service rates. All of these are objectives, some of them contradictory, which we in government have the obligation to make compatible in order to achieve the greatest possible equilibrium and the best results."

Inflation

Later, the minister turned to the topic of inflation, pointing out that "it has had very special, very important characteristics in the country," due to the "very high level it had reached and the degree of persistence of the phenomenon." He stressed the "special features of our economic program, which not only aspires to reduce inflation, but at the same time, a profound transformation of economic structures." He stated that some of these objectives disturbed a rapid drop in prices and pointed to the elimination of subsidies to public service rates. Concerning the latter, the minister said: "While we must recognize that the backwardness of our infrastructure has meant that this process of recovery in which we have been engaged has generally been higher than desirable, perhaps it is not exactly accurate to say, in general and categorically, that in Argentina, all prices for public services are higher than in the rest of the world. It may be true that this is so in certain countries and with respect to specific services, but the statement is perhaps not universally valid. For example, industrial electric power, including national, provincial and municipal taxes, may be considered relatively expensive."

Regarding production costs, he pointed out the fact that "we have been constantly concerned about the problem" and that "there have been changes in relative prices, some of them on purpose, others against our will, and still others produced by a certain unwelcome delay in the effect of factors of adjustment -- that is, effects not desired within the time planned."

Tariff Reform

The minister then said that within "the context of the tariff reform that we have been bringing about with the gradual reduction in customs tariffs, the elimination of overprotection and the subsidies that unduly benefited certain sectors, and a process of relative revaluation of our currency due to the special characteristics of the foreign sector we have commented upon, it is true that the rate of increase of our domestic prices, especially during the first 8 months of 1979, has been higher than that of the adjustment of foreign exchange parity. This has led to the so-called 'diaphanizing' or alleged delay in foreign exchange parity and to the demand for a strong devaluation in order to correct the situation.

"Beginning in September 1979," Martinez de Hoz added, "there was a sharp drop in the level of wholesale prices and with respect to the adjustment in foreign exchange parity, plus a certain monthly rate recognized as representative of international inflation, followed by the so-called convergence with respect to them.

"In other words, if we take the period of September 1979 to June 1980, we can observe that the wholesale price index represented for that period of 10 months an annual level of 60 percent and 91 percent for retail prices. During that same period a year previously, these two price indexes presented a growth of 161 and 167 percent. In other words, in 1 year, we achieved a drop of over 100 points for both indexes.

"If we compare for these same months the adjustment in foreign exchange parity," he continued, "including a 1.5-percent monthly rate as representative of international inflation, we shall see that the annualized rate for this period is 60 percent, compared with 91 percent a year before."

The minister stressed, however, that "the great sensitivity in our country to the topic of inflation and all its consequences, which has resulted in a whole discussion or debate on the problem of foreign exchange parity, as if this were the center of the economic program and as if the economic program could be reduced to this one factor."

After pointing out that it would appear that all concerns have concentrated on considering that a sharp devaluation could be a magic remedy curing all evils, he emphasized that "obviously, a devaluation would only produce beneficial effects for one sector that would try to retain them and prevent their transfer to other sectors."

He emphasized that "this is impossible under the current circumstances and consequently, this generalized transfer of prices that would come about would immediately cancel the alleged beneficial effects and we would have the same problems of cost-price ratio that we have today, but on a higher scale and having boosted inflation in the meantime."

Measures

In speaking about the package of measures that were simultaneously announced in information from the Ministry of Finance, Martinez de Hoz indicated that the generalization of the value added tax "would permit the derogation of 23 taxes," but he specified that this situation does not mean "that the recipients of some of these funds will receive no attention. Rather, we are seeking greater simplification of the tax apparatus and application of the principle of universal taxation." He added that "these needs will be taken care of through general budget resources, avoiding the establishment of special funds for these specific sectors."

After indicating that this clarification was directed at "the sectors that have been concerned about the reform," he enumerated INTA (National Institute of Agricultural Technology), INTI (National Institute of Industrial Technology), the National Meat Board, the National Grain Board, Fishing Promotion, the Shipbuilding Industry and Technical Education.

Concerning the elimination of the 15-percent employers' contribution based on wages and the 5-percent contribution for FONAVI, he said that "it will be an important contribution to the reduction of production costs," which will "also benefit consumers and industry, allowing for greater competition."

Regarding the farm sector, he said that social facets (housing and retirement) will not be affected either, for "great care will be taken to ensure the availability" of resources "for their normal evolution through an automatic mechanism that will prevent the possibility of any delay in their collection."

Taking up a bill that would institute "an automatic tax reimbursement for investments in capital goods," he said that this is aimed at "reducing the cost of the modernization of equipment in the industrial and farm sectors and in mining."

Rates

The minister of finance said that provisions to be applied are based on the concern existing in the different spheres of government over the influence which public service rates (mainly energy) "have on production costs.

"However, our action has been limited to a certain extent by the existence of a rate structure that we inherited and that benefited the residential user over industry, which is the exact opposite of what happens everywhere else in the world."

Tariffs

In this section of his address, referring to the derogation of nontariff taxes now in effect (among others, statistics or consular fees), he stated

that in this case, their elimination "will not mean that their beneficiaries will lack the resources they need."

Concerning the reduction to zero of imported duties on factors of production not manufactured in the country, he said that "this tariff will be maintained as long as such products are not produced locally," permitting "a reduction in production costs of industries which use such imported items."

Rate of Exchange

Martínez de Hoz emphasized that "the current foreign exchange policy will be maintained. Our efforts will be aimed at reducing production costs. We believe that this is the most suitable path at this time in order to win the fight against inflation and that a strong devaluation would do nothing more than contribute to a new wave of inflation throughout the economy."

Finally, he enumerated the series of measures relating to the financial sphere, including the elimination of the minimum existing time period for new foreign credits. This conventional requirement is left up to the decision of the parties involved.

Schedule

In concluding the chapter having to do with the enumeration and explanation of the package of measures, the minister outlined a schedule for their application. He explained that "they may go into effect immediately, in the case of those depending on Central Bank circulars. There is an obvious exception for the penalty of the law removing the stamp tax on contracts for loans extending over 360 days."

He also announced that "the modification we are making with respect to accompanied baggage will go into effect immediately," as will "the reduction to zero of the tariff on imported factors of production not produced in the country" and "modifications of electric power and gas rates."

On the other hand, he indicated that "the value added tax reform bill contains an article that would delegate to the Executive Branch the decision on when the reform should go into effect. The reform of the tariff structure will go into effect on 1 October and on that date as well, the 15-percent contribution of employers to retirement funds will be eliminated, for it is thought that by that time, the law removing non-tariff duties will be derogated."

Conclusions

Finally, Martínez de Hoz summarized the effects anticipated from the measures announced, considering that there will be ten outstanding effects: "Simplification of taxation, the application of the principle of universality of

taxation, greater effectiveness in the fight against tax evasion, an improvement in the tariff structure and its rationalization, a substantial reduction in costs for the country's productive sectors and replacement of the tax on wages with a value added tax, favoring the elimination of the current discrimination which benefits enterprises that avoid legal obligations.

He noted that "If the measures whose purpose is to reduce production costs are not properly interpreted and duly applied by the country's productive sector, their effects may be diluted or neutralized and we shall then lose the advantages we are now offering for their correct use."

Energy for Industries

Regarding rates, the main provisions announced last night have to do with a reduction in rate increases for the industrial use of electricity and gas amounting to 2.5 percent monthly and the submission to the Executive Branch of a bill permitting greater flexibility in the handling of national enterprises and organizations, eliminating requirements regarding the contracting or purchase of other state enterprises.

Measures announced in this area include:

- 1 -- It is the shared goal of the Ministry of Economy and the Ministry of Interior that, beginning with the 1981 budget, the consumption of energy according to industrial rates should be eliminated as a source of taxation for provinces and municipalities. In the months to come, rate increases for the industrial consumption of electricity and gas will be reduced to 2.5 percent monthly.
- 2 -- The special rate for electrointensive industries will be extended to industrial plants that are a part of integrated production complexes and those plants that generate their own power.
- 3 -- The principle is hereby established that in enterprises called "electro-intensive" and that generate part of their own power, in addition to the discount rate for the portion purchased, fuel oil will be obtained at plant prices.
- 4 -- An additional modification is made for electrointensive industries when the incidence of electricity consumed is over 20 percent of the price of the product.
- 5 -- Regarding industries that are large users of gas, the respective rate schedule will show a progressive reduction in rates favoring large-scale economies.
- 6 -- Soon to be ratified is the law relating to labor agreements in state enterprises whose reform will have the effect of increasing operational efficiency and reducing costs.
- 7 -- A law has been submitted to the National Executive Branch which would permit greater flexibility in the administration of state enterprises and organizations, eliminating requirements regarding the contracting or purchase of other state entities.

ARGENTINA

ADEPA RENEWS ATTACK ON 'PAPEL PRENSA'

Buenos Aires CONVICCION in Spanish 23 Jul 80 p 10

[Text] One year ago, June 1979, the treasury attorney asked Economy Minister Jose Alfredo Martinez de Hoz to forward to him the file on the Papel Prensa affair. Since then, the request has met with a lengthy silence, and whereas Finance Secretary Juan Alemann has stated on repeated occasions that "the Papel Prensa case is closed," both ADEPA [Argentine Newspaper Owners Association] and other groups in the country's interior, as well as the judicial investigations that have been conducted, would seem to indicate the opposite.

As Dr Carlos Ovidio Lagos, the president of ADEPA, told CONVICCION, a request has now been filed with the Economy Ministry to expedite the petition presented by the treasury attorney. The aim is to have the investigation into this much-talked-about case proceed along its normal course, since for 2 months now it has been stalled in the Economy Ministry, more specifically, the Department of Judicial Affairs of this arm of the Executive Branch.

Countering an Offensive

Far from being a closed case, the Papel Prensa affair has knocked time and time again at the Economy Ministry's door since it levied an additional 45 percent tax last year on imported newsprint, a move that in the judgment of newspaper circles is inconsistent with the philosophy of the Economy Ministry's triumvirate (Martinez de Hoz, Klein, Alemann).

Newspaper circles publicly voiced the view that the tax was devised to protect Papel Prensa S.A. from imported products (newsprint in this case), the prices of which are appreciably lower than domestic goods. In addition, the owners of newspapers throughout the country reported, the quality of the product protected by the Economy Ministry is manifestly lower than the imported varieties. "This would seem to contradict the Economy Ministry's propaganda in connection with the advantages of importing goods to compete with and raise the level of domestic firms," the affected papers commented unanimously.

Far from acquiescing to Dr Martinez de Hoz's unexpected protectionist policy, the newspaper circles are now preparing a wideranging offensive to legally establish the unconstitutional nature of the levy and, from another angle, to demonstrate the ministry's contradictory arguments.

"We will ask that the revenue collected under this tax be returned," Dr Carlos Ovidio Lagos told CONVICION yesterday over the phone. LA CAPITAL (Rosario), EL DIA (La Plata), LA VOZ DEL INTERIOR (Cordoba) and EL DIARIO (Parana) are prepared to bring this delicate matter before the courts, to ask that the Economy Ministry tax be declared unconstitutional and, hence, to request that what they have paid out pursuant to the tax be returned to them.

Telam

Separately, Dr Lagos referred to the Telam case and said: "It is going to be a long time before this can be worked out." He was referring to the possibility of making Telam a private firm and getting rid of the advertising guidelines that this official state agency currently follows. "How many times has the same thing been tried without success," he concluded.

8743

CSO: 3010

BENJAMIN MENENDEZ VIEWS NATIONAL REORGANIZATION PROCESS

Buenos Aires LA NACION in Spanish 26 Jul 80 pp 6, 16

[Commentary by Maj Gen Luciano Benjamin Menendes]

[Text] Democracy is a system of checks and balances which outweigh each other for the purpose of establishing a harmonious and free social life.

In our present society, which has undergone profound social transformations, these checks and balances have changed in value, and do not balance each other out anymore.

It is not that Argentine democracy has not got its own defenses. It is not that the defense of democracy entails revolution.

We must revise our republican system in order to devise a system that is in step with the times.

Echeverria and Alberdi imagined an Argentina that was completely different from the one they lived in, and from that society made up of a few enlightened leaders and a mass of illiterate, nomad individuals who lived in a few villages scattered along a route of conquest, they created a nation with hard-working, literate, enlightened and fundamentally European citizens, located in the most fertile region of our territory. From Urquiza to Yrigoyen that model was developed and executed under the auspices of a democracy and a republican life which was uninterrupted and which led us to grow vertically in terms of morality, culture and material progress. It is up to us now to have the creative imagination necessary to plan a new national enterprise that will draw on our deepest traditions (how many of them are unfortunately forgotten today!) and bring our republic in line with the national and international times in which we live. We must resume the search for our national greatness and once again live in harmony and freedom, solving the problems which resulted in the past 50 years of unsuccessful democracy that we are dragging behind us.

What are the problems that await solution?

If we don't want to take the bold and decisive step of moving the capital city, we must perforce set as the minimum goal the strengthening of federalism, with the promotion of an administrative decentralization that will limit and reverse the current role of the federal capital as an exclusive decisionmaking center. This goal also includes encouraging the expansion of agricultural frontiers; developing regional industries that are suited to this country; reopening trade on the four borders, not just through the main port; building a communications network that will link the provinces without the need to go through Buenos Aires when going from one province to another; and balancing the population distribution.

We must develop an independent foreign policy which will avoid useless conflicts as well as alliances and commitments that do not exclusively serve Argentina's interests.

Another goal is to undertake a far-reaching educational program, developing a national sense of being, a pride in being Argentine, a passion for freedom, a love for work, an abhorrence of vice, a respect for religion and family, a conviction of duty. In the primary schools there should be instruction about the city, the province and the nation. In secondary education there should be adequate vocational opportunities, as well as preparation for the more able students to go on to the university; there, any unhealthy ideology would be weeded out in order to train men who will be knowledgeable about the different disciplines, men who will be the future leaders of Argentina, gifted with a profound sense of nationalism and of their republican duty and morality.

At the same time, we must revitalize the family as the fundamental social nucleus, always in accordance with our Catholic religion, and facilitate and promote the role of parents as the primary source of education.

This nation needs to develop an economic policy aimed at providing for the well-being of all residents, at reinforcing the middle class and providing support for a powerful nation that will exploit and industrialize its natural resources to the utmost. That policy should be based on healthy economic freedom and private initiative and enterprise, as well as a government that orients the domestic economy and protects it from external forces, in those agricultural and industrial activities which are suited to this country.

However, what needs the most drastic correction and change is our civic life.

The aristocratic democracy which prevailed in this country from 1853 to the first decades of this century, during which time a handful of our forefathers took turns governing the nation with an honesty and efficacy which led to rapid material and moral progress, came to an end. It was replaced by another form of democracy in which the leaders did not come from a few patrician families, but from any and all Argentine families.

In turn, our people progressed in culture and education, and that coupled with their innate assertiveness, made them want to intervene more and more in the government. Their wishes were fulfilled thanks to the democratic inspiration of Saenz Pena.

After that moment, instead of adjusting the democratic system to this new relationship between the leaders and the people, which was certainly fairer and healthier than the previous system, there was an attempt to maintain the old civic rules. Some wanted to carry on with the old democracy, and they were abandoned by the people. Others resorted to the most vicious demagoguery, and they won through lying and cheating.

Our republican system, which was established in the constitution and legislation, has disappeared.

Parliament lost all its value and its institutional weight, because some political parties felt that the seats were the property of political groups, not of the freely expressed mandate of the people. They were completely ineffective. They did not pass the laws that the republic needed, and the members no longer represented their constituents.

The judiciary was hurt badly by two very clear actions: one, the unjustified removal of magistrates, regardless of rank, competence or prestige, by whatever government reached power at a given moment; the other, the absence of a concrete program to streamline their decisions and to reach effective, timely decisions in order to administer justice. We could also add that the presence of the judicial branch in the electoral processes was simply pro forma, lacking in the sovereign character of the intervention of any magistrate in all other activities of society.

The executive branch, headed in most cases by strong partisan personalities, always sought predominance over the other two branches instead of cooperating with them to devise policies and strategies as demanded by internal and external situations.

Hence the doubt citizens have today about the security of future democratic life. We must be careful, because he who does not believe in democracy has just two possibilities: becoming a fascist or becoming a communist. We will be pushing our fellow citizens towards those extremes if we do not come to grips with the task of preparing a true national, modern, functional and therefore stable democracy.

It is undeniable that we all have the duty to reorganize the nation's institutions.

Now it is up to us--we can put it off no longer--to modernize the republic in order to ensure Argentina's future democratic life.

It is not a question of burying the institutions that do respond to the facts of life, but of performing surgery with the skill of the surgeon who is able to separate tumorous tissues.

We must build a completely independent judiciary whose judges, from first instance to last, are absolutely immovable. All men will be treated absolutely equally before them. This judiciary will be the effective guardian of the dignity and freedom of the citizenry, enforcing the law as administered by the government.

We need an up-to-date, effective system of control and punishment so that all officials will know that their negligence or immorality will not go unheeded. It is worth noting here that if no political prosecution is possible in the case of the last president, it is obvious that such a prosecution, as prescribed in the constitution, can never be carried out against anyone. That is something that must be changed. Others must be in charge of prosecuting bad officials, because only in that manner, with exemplary punishment, applied by democracy itself, will we be able to save democracy. At the same time, politics will once again be the supreme profession of the citizen; it will become a service once again; it will once more inspire the best and the most able, who will know that by accepting the responsibility of serving the country in public office they will earn the gratitude of their fellow citizens, or risk certain, severe punishment.

This same system of control and punishment will be useful to avoid demagogic, totalitarian or separatist deviations, as well as to catalogue and approve or reject candidates, which is a fundamental condition in determining who is eligible and making sure that those elected are the best.

We should improve the representativeness of our system. For example, who among us has met his deputy? Who among us has spoken with him and listened to his ideas and expressed his needs? We must once again make our leaders accountable to their constituents so that the latter can govern effectively through their representatives.

We need a body of legislation that makes impossible the resurgence of Marxism.

We must organize the labor movement into service entities that protect the true interests of the workers, not economic and political organizations that support the government in power; we must regulate free unionization, which while eliminating the union as a political committee will at the same time guarantee the legitimate defense of workers rights. No one should deny or grudgingly grant those rights.

Another goal is to develop a society that is just and open to all, but at the same time competitive. All should have equal opportunities, but only the honest and capable should reach the zenith. It should be more satisfying to obey the law than to mock it. All individuals should participate in civic activities; the best should want to be elected, and only they should be.

The armed forces can have no political party, because they are a national entity and as such can not take the part of any of the sectors of the nation.

They should be able to live alongside all democratic parties, which in a genuine democracy will take turns exercising civilian power, and the armed forces should be at their service,

If the military were to take sides with a party, what would happen when that party lost the first election, or subsequent elections? Revolution? Our recent history shows that that is what happens, and I do not want (nor do I think any professional soldier wants) more revolutions in my country.

The mission of the National Reorganization Process is to point out a clear democratic path, to the left and right of which nothing is acceptable. The different healthy, organic political parties should fit within that path.

Any one of these parties should be able to coexist in the future with the military, in a profound brotherhood between civilian and military power. Both groups should constantly watch over the institutions and style of Argentine life, thus putting an end to military intervention.

It is also true that the parties should place themselves in a propitious position along this democratic path so as to be able to serve and represent all national concerns.

At this time, we must also point out, all of the political spectrum is on the left. It would appear that, surprised and dazzled by the success of Peron's demagoguery and populism, all of them decided to imitate it. The result has been a rush to the left, and promises, flattery, and gifts have replaced the serious platform, civic principles and a commitment to the nation.

We must revitalize our democracy, paving the way for a new political era when political groups become purified by the full exercise of civilian powers and the unrestricted enforcement of our constitution. The options must end. We must provide the nation with healthy and organic political parties that by practicing democracy will swell their ranks with a clear sense of their doctrines, for the good of the entire community.

Adequate control of the votes obtained will allow just a few large parties to remain, in which shared views will come together generously, and differences will be smoothed over.

Finally, we must set forth specific objectives for making our country greater. Alberdi specified them very clearly: to govern is to populate, to Europeanize, to educate and instruct our people, to become the breadbasket of the world. Thanks to this list of objectives, we are still living off the wealth provided by this vision. We are like those families that occasionally pawn a painting, an ornament or a jewel, and manage to buy a few months' subsistence by selling off the heirlooms.

We should make our own effort, to find our Argentine soul once again, and with a profound sense of nationality we should specify the current objectives.

It would be a good idea to sum up these objectives:

- Genuine political, economic and populational federalism.
- National and moral education.
- Independent foreign policy.
- Free agricultural and industrial economy.
- Truly republican and balanced institutions.
- Moral, controlled executive branch.
- Representative legislative branch.
- Independent and immovable judicial branch.

This process of establishing objectives and reorganizing the institutions of the republic should be finalized during the present military stage. If for any reason this task is not finished, we will be leaving the future civilian government an unnecessary legacy of weakness.

If we complete these tasks to the letter, we will have done away with the mockery of democracy that we have been dragging along with us for 50 years. Without imitating the failures and the trial balloons, we will find the road toward a promising and progressive era of 100 years of democracy. Without a doubt, that will place us once again among the first in the world, as is our destiny and our obligation.

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CSO: 3010

PERONIST PARTICIPATION URGED TO AVERT 'SHIFT TO LEFT'

Buenos Aires CONVICCION in Spanish 10 Jul 80 p 11

[Text] The former commander of the Fifth Infantry Brigade, Brig Gen Adel Edgardo Vilas, urged the government to include Peronism in national life and not to make a mistake on "the road to democracy, thereby avoiding a shift to the left and an electoral abatement by the Justicialists."

Vilas, who in 1975 commanded Operation Independence against the guerrillas in the province of Tucuman, made statements in Salta affirming that "Peronism is opposed because it is misinterpreted."

In statements published yesterday in the daily EL TRIBUNO, he indicated that "in order to interpret a real political expression of national life, I believe it is necessary to look to Justicialism as a significant expression. It has been opposed obstinately because it has not been interpreted in terms of its roots."

"A great man," he added, "burst into national politics when this concept of justice did not prevail in the social sphere; he understood that in certain social strata there was no spirit of solidarity and brotherhood which would enable a Christian to deal with his fellow men."

He went on to say that "he conquered his people with charisma, and the rest is well-known historical fact."

Vilas indicated that "this social aspect has also been taken by other doctrines, but without the consequent spiritualism, and in the name of Marxist socialism, they tried to launch a struggle against injustice simply by trying to subvert our sovereign political destiny."

"That is why Justicialism," he asserted, "can counterbalance foreign-influenced socialism."

Vilas stated that "as a mere soldier I take for granted the participation of the popular sector, such as Justicialism, in national life; that is why it is necessary for its members to organize the study of great national problems,

with an analytical perspective in the search for common viewpoints regarding basic positions, with understanding and civil generosity."

Referring to the political dialog, he pointed out that it is "an essential resource, a human example of the exchange of valid thoughts for the purpose of finding out what people think about certain visible objectives or some specific ideological theme."

"It is important to find solutions," he remarked, "so as not to err on the road to democracy, thereby avoiding a shift to the left and an electoral abstention by the Justicialists."

Participation of Peronism

The leader of the Autonomist Party of Corrientes, Jose Antonio Romero Feris, stated that Peronism "will be able to participate in a future democratic stage, because if we speak of a genuine modern democracy we cannot begin by closing doors."

However, he indicated that this possibility would be subject to the condition that Peronism follow "the route established by the statute (on political parties) and electoral legislation."

8926

CSO: 3010

NEW LEADERSHIP WILL NOT CHANGE PCA DIRECTION

Buenos Aires CONVICCION in Spanish 16 Jul 80 p 10

[Article by Pascual Albanese]

[Text] The designation of Athos Fava as the new secretary general of the Communist Party (PCA), to replace the late Arnaldo Alvarez, successor of the legendary Victorio Codovilla, will not result in any significant change in the party line, according to PCA spokesmen.

Fava, former secretary of organization of the Central Committee, is a man who follows the party line. He is apparently unmoved by criticism from some sectors of the labor and student fronts, who view with apprehension what they regard as an excessive tactical commitment by the party to the present government.

PCA leaders, traditionally exempt from the ideological prejudices which still reign in many of their cadres, feel that the cautious position of "critical support" established as of 24 March 1976 has yielded the party a potentially significant role in a hypothetical political liberalization, in which it could achieve its long-awaited legalization.

If the arguments backing up the PCA's tacit and sometimes too open support for the government are quite difficult to digest for the rank and file members of the party in terms of domestic politics, the story is different when it comes to the international picture, particularly with reference to the strengthening of ties with the Soviet Union.

The tactic chosen is to pass over many conflicting aspects of the present administration in order to concentrate criticism on the management of the economy and to focus praise on the conduct of foreign relations. Dialectical juggling is necessary in order to justify this ambiguity, the key being a supposed confrontation between imaginary "progressive" and "reactionary" sectors of the armed forces, a conflict in which the "democratic role" is assigned to President Videla and former Commander in Chief of the Army Lt Gen Roberto Eduardo Viola.

A clear example of this ambivalence is a pamphlet containing "questions and answers" put out recently over the signature of Fernando Nadra. In this publication the Communist leader presents a detailed analysis of the "progressive aspects" of foreign policy, which he praises without reservation.

On this point, the party leadership boasts of important achievements, which paradoxically begin in the area of economics: the cooperation agreements signed with the Council for Mutual Economic Assistance (CMEA) countries have far exceeded those promoted during the leadership of Jose Gelbard, and trade (for which the PCA is on commission) has reached record levels, with a most promising future as a result of the latest grain agreement.

But the praise also extends to Argentine behavior within the bloc of "non-aligned" countries (headed currently by Fidel Castro), the refusal to participate in the American grain boycott against the USSR, and the new channels of cultural cooperation with Moscow and the exchange of missions between the two armies last year.

Backed up by the favorable opinion PRAVDA seems to have of Videla, a judgment of the "central house" which no Argentine Communist in full use of his faculties would dare contradict, Fava and his comrades on the Central Committee will insist on opening up a formal dialog between their party and the government, begun informally through presidential adviser Francisco Moyano.

For the dissidents, adhering to old dogmas and unable to grasp the new truths of "realpolitik," there is also a door open: not that of dialog, but the exit door.

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CSO: 3010

LABOR LOOKS TO LORENZO MIGUEL FOR UNITY

Buenos Aires CONVICCION in Spanish 31 Jul 80 p 10

[Text] The National Labor Commission (CNT) and the Committee of 25 publicly expressed their concern over the postponement of the meeting they were going to hold yesterday with the Committee of 20 in an attempt at labor unity. The meeting was postponed at the request of the latter group.

The Committee of 20 requested that the meeting be deferred since this because it was not able to name the delegation of three members which each group was to send to the deliberations. Explaining its desire for a delay, the committee alleged that it wanted to await the return of some of its most important leaders. It was referring to Fernando Donaires (paper workers), who has gone to Peru, and Luis Etchezar (La Fraternidad), who is in Miami.

The first organization to express its "concern and dismay" regarding "the damages done by delays such as this," given "the urgent need to establish unity," was the CNT. It called a meeting today among the eight sectorial leaders in charge of contacts with other groups, in order to evaluate the situation.

The Committee of 25 held extensive deliberations yesterday at the Truckdrivers' Union, and also indicated its opposition to the postponement, claiming that it added a complicating element to those which already disturbed the new attempt at unity.

Although none of the leaders recognized it, there is already an irritating factor in the incipient gestures: The CNT and the Committee of 20 feel that in the new leadership to be established there should be no leaders who do not have a legal mandate from their unions, while the Committee of 25 is opposed to that stipulation because its principal officials are in that position.

This dissidence became evident at the previous meeting attended by the three groups. During that meeting, Ruben Marcos and Luis Guerrero, of the Metalworkers Union (UOM), stated that position on behalf of the CNT. The latter UOM member, who understands the general terms of the law, insisted that it

was necessary to have some resignations in order to facilitate unity. That proposal was seconded by Rodolfo Soberano (millers) of the Committee of 20.

Roberto Garcia (taxi drivers) of the Committee of 25 responded that the issue should not be subject to debate without first establishing "the goal of unity." But the Committee of 25 responded shortly afterwards with a fait accompli by naming Garcia and Jose Rodriguez (mechanics) to engage in negotiations for unity with the other groups, along with Roberto Dizon (tobacco workers), a move which was also questioned by authorities.

That initiative did not please the leaders of the CNT, who commented that it could lead to the failure of the attempt. However, the issue should still be discussed.

Yesterday the Committee of 25 and the CNT came out against the delays in order to fend off criticism that has already begun to be heard, along with accusations that there are some who would benefit from postponing unity until the presidential situation is cleared up.

Meanwhile, it was announced that tomorrow at 0730 the former secretary of the UOM, Lorenzo Miguel, will return to the country after a tour of the United States, where he met with White House officials and union leaders. It is assumed that he will be consulted regarding the new obstacle that has appeared in the attempt to achieve labor unity.

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CSO: 3010

ARGENTINA

MID-YEAR FIGURES FOR OIL, GAS, ELECTRIC PRODUCTION RELEASED

Buenos Aires CLARIN in Spanish 22 Jul 80 p 13

[Text] Oil imports increased 46 percent during the first half of the year over the same period in 1979, while expenditures in foreign exchange were up 113 percent. The extraction of crude oil rose 3.4 percent between the two periods, while coal extraction dropped about 34 percent.

Domestic oil production increased 3.4 percent during the first half of the year over the same period in 1979, rising from 13.4 to 14.1 million cubic meters. Crude oil imports totaled 1,347,600 cubic meters between January and June, representing expenditures of \$273.7 million dollars. This was a 46.1 percent rise in volume and a 113.3 percent jump in expenditures. Coal extraction declined by about a third.

According to the information furnished yesterday by the Secretariat of Energy, "the reason for the higher imports during the first half of the year in comparison to the same period in 1979 was the need to consolidate the country's hydrocarbons stocks in view of the unstable international petroleum situation."

Last June, the official release points out, local crude oil extraction totaled 2,324,500 cubic meters, as compared to 2,230,000 cubic meters for the same month last year, which represents an increase of 4.2 percent.

Natural Gas

The Energy Secretariat points out that natural gas production for the first half of the year totaled 4.69 billion cubic meters, which is 392.7 million cubic meters more than last year, an increase of 9.1 percent.

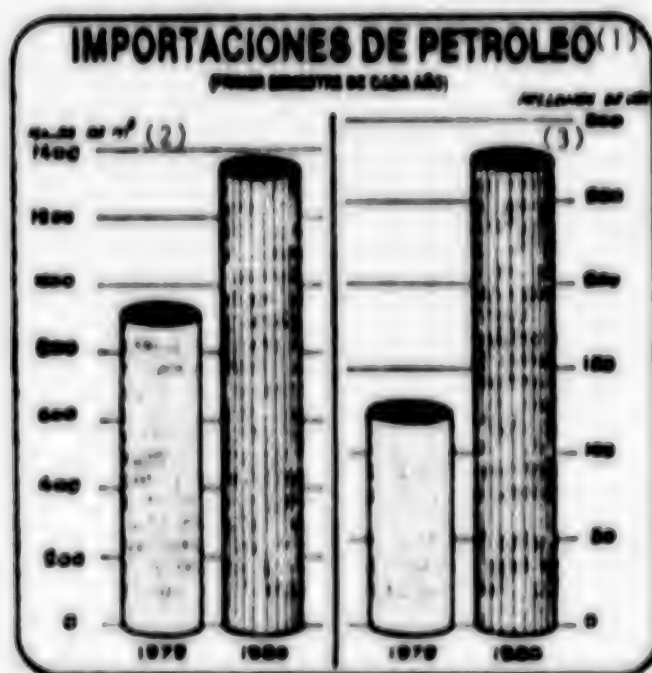
Natural gas output for June alone was 7.8 percent above the June 1979 figure, totaling 925.3 million cubic meters.

According to the official information, there was a drop of 33.8 percent in the output of marketable coal during the first half, as 230,500 tons were extracted, compared to 348,300 tons during the same period last year.

The output of marketable coal totaled 34,000 tons in June, which meant a drop of 59.9 percent.

Electrical Energy

In conclusion, the output of electrical energy at public service power-plants totaled 17.7 million megawatt/hours during the first half of the year, an increase of 11 percent over the same period in 1979.



The chart shows the increase in Argentina's petroleum imports.

Key:

1. Petroleum imports (first half of each year)
2. Thousands of cubic meters
3. Millions of dollars

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ARGENTINA

ARTICLE QUESTIONS YPF MOSCONI OIL PLATFORM TRANSACTION

Buenos Aires CONVICCION in Spanish 23 Jul 80 p 13

[Text] Circles related to Argentina's petroleum interests have just learned of a number of extremely serious developments in connection with Professor Adolfo Silenzi de Stagni's recent report that YPF [Government Oil Deposits] had made the surprising decision to "transfer" the General Enrique Mosconi semisubmersible platform to Esso after a successful oil and gas find in the Southern Marine Basin.

The veteran specialist's report met with a confused and reticent response from YPF directors, who explained, among other things, that the "transfer" had been made to obtain "better prices than in similar areas."

It has now come out that the first contract for this area was granted in April 1978 to a group consisting of Total-Deminex (a French and German firm, respectively, each of which have a 37.5 percent share), Bidas with 20 percent and Arfranco, a firm without any petroleum background, with 5 percent.

The next two contracts were hammered out in early 1979 for the Rio Gallegos and Magallanes areas with Shell Hydrocarbons BV and Shell Argentina, which have an 89 percent share, the remaining 11 percent belonging to the Argentine company Petrolar.

The agreement with Esso was the last to be signed. The group of contractors consists of Esso Exploradora y Productora Argentina (90 percent), Astra (3.5 percent), Perez Companc (3.5 percent) and Cadipex S.A. (3 percent). They were given the Tierra del Fuego E-I and E-II areas.

Comparing the prices that YPF will pay for the oil extracted under each of these contracts, we see that the Total-Deminex-Bidas-Arfranco group got \$90.31 per cubic meter of oil in July 1978; the Shell-Petrolar group, \$93.08 per cubic meter as of 29 May 1979, and the Esso-Astra-Perez Companc-Cadipex group, according to the estimate of 27 July 1979 (just 2 months later), the incredible sum of \$147.61 per cubic meter.

This comparison does not tell us what "the better prices than in similar areas" are that YPF hopes to obtain by giving Esso a free loan of our only submersible platform.

There are also a number of other suggestive facts. In hammering out the agreement, Shell availed itself of its association with Petrolar S.A., one of the members of whose Board of Directors is Eduardo Oxenford, the president of Alpargatas, the government's interventor in the UIA (Argentine Industrial Union) and a member of the YPF Board of Directors until 1 month before the granting of the lease. With regard to Bidas, the world's fourth largest drilling firm and which some people say has links to Hector Villalon, the current representative of the Czechoslovak firm Skoda, it is headed by Daniel Bulgheroni, who is rumored to be a friend of high-level officials who will be called on to fill major posts in the government that will be installed in March 1981.

Specialized circles commented in amazement on the occasion of the Shell lease award that the YPF Board of Directors took care of the formalities in the record time of 14 days. At the time, early 1979, petroleum circles knew for sure that Shell had strong ties with authorities in the Secretariat of Energy and Fuels through a private consulting office that worked for the firm and whose staff included two high-level officials in the field.

In contrast to customary procedure, Decree 1511/79, which was approved 6 days before an official envoy from the Foreign Office, Nicholas Ridley, arrived in the country, was published in the Official Bulletin of 17 July 1979 with the following footnote: "This decree is being published without annexes." Therefore, the only thing published was the approval of the contract with Shell, but not the contract text.

Exxon, which has contracts with Argentina and Chile to explore the area around the Strait of Magellan (inasmuch as the two countries thought that it was a good idea to evoke an interest in southern oil in the world's largest company, headed by David Rockefeller, the president of the Chase Manhattan Bank, the chairman of the powerful Trilateral Commission and a close friend of Economy Minister Jose Alfredo Martinez de Hoz), also had, thanks to its association with Astra, the effective collaboration of that company's head, Ricardo Gruneisen, who like Oxenford is a prominent member of the CEA [Argentine Business Council]. According to Silenzi de Stagni, it was due to the marked influence that these economic groups allegedly have on Economy Ministry officials that the General Mosconi platform was transferred under the aforementioned conditions and that the price that the YPF must now pay for oil discovered by Argentines is the highest in the world.

COLUMNIST SCORES U.S. STATE DEPARTMENT ON INTERFERENCE

La Paz EL DIARIO in Spanish 23 Jul 80 p 2

[Article by Fernando Diaz de Medina]

[Text] Let us make one thing clear from the outset: We have nothing against the American people. More than their aid, we want their friendship and their understanding. Many Americans live in Bolivia and many Bolivians live in the United States peacefully and happily because they are not meddling in the domestic politics of the other country.

Yet what is occurring at present is certainly incredible. The myopia of President Carter and his minions in the State Department, ignoring Bolivian reality and violating all the rules and practices of international law, has resulted in the formulation of a document which is undoubtedly without equal and which our government rebuffed vehemently and indignantly.

The State Department document contains the following outrageous statements, which no self-respecting government could admit:

It takes sides with Bolivia's overthrown government, describing it as "valiant."

It places a stamp of approval on "presidential and congressional elections that were impartial."

It deems "urgent" the release of the national politicians who have been arrested.

It requests that "the reins of government be restored to civilian leadership," a demand that stuns the least informed of the population.

It describes the great national reconstruction revolution as a mere "attempt to interrupt the democratic process."

It threatens us with "the immediate suspension of all security assistance to Bolivia."

It determines that any "new pledge of economic assistance will depend on 'clarification.'"

And finally, pursuing their class attitude, they express the hope that "the prompt restoration of civilian leadership to Bolivia will permit that country to return once again to the ranks of Andean democracies."

The last paragraph proves that Mr Carter feels himself to be the leader--the protector--of all the Andean region in the hemisphere.

We might begin by asking Carter and his diplomatic officers to define democracy. Is it perchance the extermination of the redskins hailing from the North American territories? Racial discrimination against the blacks? The Watergate scandal? Pseudo-democratic elections shamefully manipulated by a plutocracy consisting of the bankers and the Mafia? Allowing the government of Iran to violate its extraterritorial rights and the shameful captivity of more than 50 U.S. citizens? Is it support for the dictatorships of Somoza and Trujillo?

However, let us return to our subject. Who gave the State Department the right to intervene in Bolivian affairs, siding ostensibly with leftist groups and declaring itself and its positions openly before the democrats and nationalists of this country?

In simple Spanish, the State Department's declaration is a flagrant violation of the most elementary precepts governing relations between sovereign nations. Our government did well to flatly and categorically reject its threats, which no government or free people could allow.

We cannot allow the State Department to take up the cause of one sector of our population, inducing it to oppose other majority sectors. Electoral fraud was proven. It has been shown statistically that the UDP (People's Democratic Union) obtained only 500,000 votes (that is, 25 percent) of a majority of over 2 million ballots. What majority and what clean elections are they defending?

Nor can we allow Mr Carter to be the omnipotent judge who is to determine who are the good and who the evil in Bolivia, labelling some as "valiant" and others as "subverters of the democratic process in Bolivia."

However the most extraordinary--if not the most ludicrous--part of the document is the firm and repeated demand for the government to be returned to civilian leadership, the one overthrown by the national will.

This shameful intervention, backed by the suspension of all economic and military aid, is an incredible violation of prevailing international laws, of the right of people's self-determination, of the sovereignty of the Republic of Bolivia.

It is as if we were to tell the State Department: "Replace Mr Carter with Mr Reagan because the latter can handle things better."

Or that we should say to them "We will not sell any more tin or any other product to the United States until the government is handed over to leaders of the caliber of Roosevelt and Kennedy," who unfortunately are no longer alive.

What is the matter with the Carter government and its State Department that they are committing one mistake after another? Its international policy has hit rock bottom. They defend the wrong causes and extricate themselves from the good ones. They allow themselves to be run over by those who are powerful and cannot deal with the weak; they interfere in the domestic affairs of others, violating their sovereignty and the right to self-determination of all nations. Others help them to safeguard democracy and they choose, instead, to stand with those who are about to destroy it.

This unique paper put out by the State Department, which has already been rejected by our government, deserves the utter contempt of every Bolivian: no one can impose on us any norms of conduct and even less the type of government we should have.

In the simplest of terms, we would put it this way: this is a sad new example of the gaffes committed by Mr Carter and his State Department. The pity of it is that the most powerful nation in the world should be the weakest from the standpoint of its disastrous international policy, which goes from bad to worse.

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CSO: 3010

BOLIVIA

LECHIN'S PUBLIC APPEARANCE VIEWED AS SWAN SONG OF CAREER

Buenos Aires CLARIN in Spanish 23 Jul 80 pp 18-19

[Dispatch from special correspondent Adolfo Coronato]

[Text] La Paz--The dark, angular face of Juan Lechin Oquendo, head of the Bolivian Labor Federation (COB), unexpectedly appeared on the only television channel last night to ask workers to end the strike indefinitely and halt all civil resistance to the government of "national reconstruction" led, since Thursday the 17th, by Gen Luis Garcia Mesa Tejada. Added to the unexpectedness of his public appearance was a dramatic fact worthy of political fantasy: Lechin appeared on camera conversing cordially with the minister of the interior, migration and justice, Col Luis Arce Gomez.

In addition to the significance of the call for an end to the strike, the conversation took place in an unusual atmosphere: The labor leader called the minister "Colonel, sir," while the officer answered with a condescending "Juan."

In reality, Lechin's television appearance has a number of meanings with respect to the brand-new military government, but it also seems to be the "last move in a public relations and political wrestling match between the workers and the military."

The Monday morning edition of EL DIARIO, which speaks for the government, carried a statement signed by Lechin that called for an end to the strike. It was quickly denied by miners' radio stations and union sources, while it was asserted that the COB leader was injured or even dead. On Monday afternoon, as the general strike continued, Lechin's voice was heard, without a picture, on Bolivian television and on the radio stations controlled by the government, repeating his call for a halt to all civil resistance. Speculation quickly arose that although it was Lechin's voice, it dated from the similar call issued in November, when he cancelled the workers' and peoples' protest against the coup by Col Alberto Natusch Busch.

Now, with the public appearance of the prominent leader, Garcia Meza's government has achieved its first psychological and political impact on the Bolivian citizenry. There are two immediate fruits of this action: demonstrating "in visu" the validity of previous acts, and obtaining the call to return to work from the mouth of the top leader, an irreplaceable tool for maintenance of the new regime's stability. The dialog began with "How are you; how are they treating you?" from Colonel Arce Gomez, to which Lechin answered, "I want to respond with the candor necessary in this case, Colonel, sir, that I've been treated well since I arrived. They have never touched me or bothered me. I suffered no psychological injury of any sort . . ."

The minister then said, "The miners' radio stations indicate that you're dead. They also indicate that the message you've issued is false. I would like you to clear up this situation."

"I'll repeat what I'm doing. I've been very sure and very aware of the grounds that have led me to call off the strike and the blockade. . . . I'll have the opportunity today, tomorrow, in a month or within several months; I have to do it, I have to give a full explanation to my comrades for having changed the course we in CONADE (National Council [for the Defense] of Democracy) chose. I'm fine now. Thus far, I haven't suffered; I've been under no physical or psychological pressure."

The conversation continued.

Minister: "We've already brought the situation under control. We want to avoid bloodshed. We want sanity to prevail and for there to be work. What can you tell Bolivian workers about what I'm saying to them?"

Lechin: "Among those most interested in avoiding bloodshed are this country's working class and poor people. All they have to maintain themselves with is their hands. Sometimes they fight by the legal means they have to improve their living conditions. And we know that the Bolivian people are threatened by hunger. As a result, they fight. As a result, they work. Thus, those most interested in peace, without doubt, are we poor people and members of the working class. As a leader, I'm primarily concerned about that. To me, the life of a poor man, the life of any person, is priceless. . . ."

"I agree with you completely," the minister said.

Then Colonel Arce stated that the armed forces do not intend to cling to power, but rather to reestablish order, and that those who should benefit most are the working class, peasants and miners. "Do you agree with me, Juan?"

"To an extent, Colonel, yes. Naturally, you, as a military man, have other ways of expressing things . . ."

"We've fought for the people's betterment, but not only the people's. We know that if the country, the fatherland, isn't bettered, there's no possibility of continued improvement of conditions for the working class. Thus, we believe in the fatherland's destiny. Workers have no other means of survival than their land. They aren't able to emigrate.

"Thus, they're bound to working conditions, living conditions and to betterment."

"Juan, we could talk for a long time," the officer then said. "We agree completely on the proper attitude. As we end this discussion, it is necessary for the workers to ignore the rumors. Your son in France has just taken the Embassy, and is asking us to send him your body. What shall we do, Mr Lechin?"

"Send me as I am, Colonel (smile). I think that would be . . . Well, I think this message will reach my son, and actually . . . He's the only one I have; my son (sadness). I'm very fond of him and admire him greatly."

"Very well, Juanito . . . We'll let your son know that you're fine, and I'm grateful to you. We're going to demonstrate to the citizenry once again that the deceit and trickery are coming from the ultra-left, which wants conflict among Bolivians. You (speaking to the viewers) have seen Mr Lechin, who is with the authorities of the Second Department and is in perfect health."

Finally, the minister of the interior handed Lechin a copy of EL DIARIO for Monday, 21 July, perhaps to confirm that the talk had taken place that day.

Lechin's appearance on television and his words--occurring exactly while shots broke the evening quiet in La Paz and the uproar, though less marked than the previous day's, promised additional hours of tension--had a profound effect on Bolivians. The conditions prevailing under martial law and the curfew made it impossible to obtain opinions directly from union leaders. Nevertheless, the strike continued today in Bolivia, being particularly effective in mining and farming areas and in industrial districts in La Paz. Yet there was more activity in the city today, and, except for the crowds taking down the barricades in the streets, life appeared normal.

Will the workers heed Lechin's call in the end?

Or will the progress of events be irreversible, considering a rapidly growing economic crisis, which will lead finally to a slow return to work? Some observers believe the old labor leader's words carry a decisive psychological weight and, although he seems more a historical figure than a part of the complex current reality, they are bound to affect the spirit of the working masses. Others, on the other hand, maintain that Lechin's

public appearance and his appeal dramatically and painfully mark the end of his long career, causing his final "labor-movement demise."

An old friend of Lechin expressed the opinion today that while the latter called off the social protest, the now-hidden Hernan Siles Zuazo, virtual winner of the last election, is politically directing the civil resistance and will emerge safe after the present situation has passed.

Moreover, not a few people realize that Lechin Oquendo has been in a decline for some time, slipping more rapidly since his last presidential candidacy, which he attempted to withdraw only a few days before the election, in which he received only slightly over 2 percent of the vote, as it turned out. They realize, too, that the miners have set up leaders in addition to this charismatic figure who are not closely linked to him.

At any rate, more sophisticated hypotheses have been proposed, too. One of them is that Garcia Meza's government of "national reconstruction" has launched an operation to nullify the COB, a powerful entity throughout Bolivia's political history. With Lechin's public appearance--in addition to the immediate fruits it has yielded--at least the government has managed to destroy the symbol of its power.

9085

CSO: 3010

BOLIVIA

BRIEFS

NEW UNDERSECRETARIES--The Bolivian Minister of industries, commerce and tourism has appointed Eduardo Davalos Rivero as the new under secretary of industries, and Amanda Rico Toro de Vargas as director of the Bolivian Tourism Institute. [PY112320 La Paz PRESENCIA in Spanish 1 Aug 80 p 8]

NEW FINANCE OFFICIALS--Rolando Pereyra Mendez has been appointed under secretary of financial management, Hugo Duchon Centen has been confirmed as under secretary of currency management, and Oscar Garcia Canseco has been confirmed as under secretary of tax management. [PY112320 La Paz PRESENCIA in Spanish 1 Aug 80 p 9]

GERMAN CITIZEN EXPELLED--According to the public relations department of the National Directorate for Dangerous Drugs, German citizen (Maria Gertrud) has been arrested at the Liberador Hotel and charged with possession of peyote and hashish, for which she will be expelled from the country. [PY112320 La Paz PRESENCIA in Spanish 30 Jul 80 p 7]

CSO: 3010

CENTRAL BANK PRESIDENT DISCUSSES MONETARY, ECONOMIC POLICY

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20, 27 Jul 80

[Address by Central Bank President Carlos Geraldo Langoni before War College in Rio de Janeiro on 13 July; passages enclosed in slantlines printed in boldface]

[20 Jul 80, p 45]

Instruments of Monetary Policy

1. Overall Strategy

[Text] The Brazilian economy is now in an important period of adjustment to a new reality whose contours are being defined in part by external factors epitomized by the intensifying petroleum crisis and in part by internal changes associated with the political liberalization process.

In the course of this adjustment the present moment is one of marked disequilibrium: /internal/ disequilibrium, characterized by inflation; /external/ disequilibrium, characterized by the balance-of-payments deficit. To these short-term economic disequilibria must be added the historical heritage of severe social disequilibria characterized by regional and personal income inequality.

It is within this context that the economic policy strategy adopted by the government of President Joao Figueiredo must be understood and analyzed. The fundamental option is for gradualism, avoiding traumatic alternatives that can compromise even temporarily the economy's capacity to grow and to create employment. In the current Brazilian situation gradualism is not a whim of the administration. It is, in fact, the logical counterpart to the social and political restrictions within which the fight against inflation and the control of the foreign deficit must be implemented.

It is also essential to understand that, despite the immediate impact of such disequilibria that are felt by all society and that feed "short-term hysteria," the nature of Brazilian problems goes beyond the strictly short-term dimension. That is: it is essential that economic policy establish

a logical link between the /short/ and the /long/ term, between mere correction of course and more profound changes in the very path to be followed.

This interrelationship between situation and structure is determined by the characteristics of the petroleum "crisis," by the nature and dimension of the public sector and by the social determinant.

The petroleum crisis can no longer be correctly termed a "shock," the meaning of which is normally episodic or spasmodic. In reality, manipulation of oil prices and creation of artificial supply conditions by the OPEC cartel are a continuous and permanent process, and what can be anticipated is a succession of shocks intended to assure, in real terms, higher petroleum prices, the timing of which depends rather more on political factors than on economic conditions. In such circumstances, the process of adjusting the economy to this exogenous component cannot be limited simply to control of the amount of oil imported through disincentives to consuming petroleum derivatives. The ultimate response lies in simultaneous domestic diversification of energy sources, in which assurance of supply is superimposed on the conventional calculations of profitability based on current costs and prices, made immediately obsolete by the swiftness and intensity of changes in external conditions.

Meanwhile, it is increasingly clear that the domestic aspect of the disequilibria in the Brazilian economy is strongly affected by the excessive size of the state. The public deficit, defined in a broad sense (now about 5 percent of PIB (Gross Domestic Product))--to include not only the federal government but the continuously expanding universe of state enterprises--is one of the principal factors feeding the inflationary process. The share of the public sector is also critical to external imbalances, accounting for about 30 percent of all imports other than petroleum and wheat. Given the public sector's endogenous capacity for growth based upon its already established position, a function of its privileged combination of money and power, the success of any economic strategy under current Brazilian conditions depends upon the effective capacity demonstrated by the government in controlling the state. The problem transcends careful preparation and monitoring of fiscal or monetary budgets. What is in fact at issue is a broader and deeper redefinition of the state's role in the Brazilian economy.

The social determinant, by its essence, not only imposes restrictions on the form and pace of short-term action but it also requires more profound changes. To increase the social content of the development process without altering the rate of growth presupposes, above all, revision of priorities accompanied by reallocation of resources. Growth with distribution will be feasible to the extent that a strategy of relatively more balanced sectoral expansion is followed that can also release and reallocate resources now committed to extensive programs of subsidies and fiscal incentives of doubtful economic effectiveness. It is easy to note that there is an obvious connection between the transmutation of the state and that social objective. In essence, what is proposed is that the state, in the Brazilian economy, return to its roots as a social agent and promoter of development

which in the course of time have been relegated to a secondary plane by the characteristic nature of the entrepreneurial state.

This is the background on the basis of which is designed the government strategy centered on emphasis to agriculture, exports and energy diversification.

This clear definition of priorities simultaneously meets the short-term requirements of fighting inflation and achieving external equilibrium while being consistent with the longer-term structural changes that must not only sustain the rate of growth but also confer a greater social dimension to the development process. At the same time the shaping of a new institutional framework is being initiated in order to improve control of the state by the government. It is thus sought to reverse the experience of recent years in which the government had more success in interfering in the private sector than in disciplining the state itself. It is reasonable to expect the process of political liberalization to have immediate impact in terms of strengthening the institutional controls of society over the state machinery, bringing greater impetus to the thrust of economic liberalization. Political decentralization, in accelerating economic decentralization, should also hasten reallocation of resources to areas of unquestioned social interest, which resources could at first be generated without any increase in taxes, but simply through revision of incentives and subsidies. For this purpose there is a clear government effort to gradually reduce the amount of subsidized credit; subsidies to consumption of petroleum, wheat, as well as fiscal incentives unrelated to social objectives, such as those related to capital markets. Having gone beyond the initial phase in which the fiscal gains associated with elimination of such subsidies are sterilized to assure control of the inflationary process, it is possible to anticipate creation of a new base of real resources that can make feasible response to priority social projects.

Finally, it is important to keep in mind that, although gradualism is the antonym of recession, it is also true that this option in itself brings obvious consequences: the most important is that results are necessarily slower and one frequently experiences an uncomfortable vacuum, as at present, in which the instruments are already functioning but the results are not yet visible. Filling this vacuum depends not only on persuasive action by the government but also on exact understanding by society, especially by its leaders, of the nature of the problem we are confronting.

[27 Jul 80, p 45]

Instruments of Economic Policy

[Text] This is the second part of the address given at the War College 15 July by the president of the Central Bank, Carlos Geraldo Langoni. In the first part, published last Sunday, Langoni analyzed the consequences of adjusting the economy to foreign problems such as higher oil prices and

to domestic social demands resulting from the political liberalization process. The great challenge of this adjustment is to harmonize economic cooling off with the need to continue expanding employment.

In the fiscal area the main objective is to drastically reduce the public deficit through cutting current expenses and investments and substantially increasing the capacity to generate tax revenue. Control of the public sector now extends beyond the fiscal budget to also include state enterprises. Rigid limits are being put not only on the aggregate amount of investments and current expenses but also on sources of funds and, particularly, levels of foreign and domestic debt. It is sought to in this way avoid having restrictions on budgetary funds (transfers)--which frequently supplement the state enterprise's own funds--being offset by a disproportionate increase in foreign and domestic loans. This broad control of the public sector, carried out by the Planning Secretariat, addresses several objectives simultaneously: it is essential for reducing the rate of foreign indebtedness, for reducing pressures on domestic interest rates--especially in a period of credit restriction--and for assuring less demand for imports.

The increase in tax revenue was initiated last year by raising corporate income-tax rates and supplemented this year by broadening the base and increasing the rates for the Financial Transactions Tax (IOF) and creating the compulsory loan on capital gains. Fiscal strategy was further strengthened by eliminating the IPI (Finished Goods Tax) and ICM (Tax on movement of merchandise) fiscal credits that benefited exports (made feasible by the maxidevaluation of the cruzeiro) and by beginning a gradual program for reducing credit subsidies and petroleum-consumption subsidies.

Little by little, therefore, a fiscal policy will be implemented with restrictive characteristics represented, in the Brazilian case, by the dimensions of the public sector as a prerequisite for a successful strategy in combating inflation and reducing the foreign deficit. In the past it was precisely the frequently occurring lag between expansionist fiscal policy and restrictive monetary policy that resulted in exaggerated pressures on interest rates and in difficulty in assuring effective control of the inflationary process.

In the foreign area the principal measure was the maxidevaluation of 7 December which assured a competitive leverage for Brazilian export products, basic commodities as well as manufactured goods, followed by the return to the system of minidevaluations. The foreign-exchange adjustment also permitted enormous simplification of the mechanisms of foreign trade through elimination of fiscal incentives for exports and deposits on imports.

The return to minidevaluations after the maxidevaluation required a system of preestablishing the exchange rate in which it is basically sought to minimize the degree of institutional uncertainty associated with borrowing money abroad. As can be easily perceived, the counterpart of a gradual

adjustment in our external accounts is coexistence, for a certain period of time, with disequilibrium in the balance of payments which will have to be financed essentially by foreign loans. Assuring normality of such flows is the sine qua non in enabling the economy to maintain an adequate growth rate. A preestablished exchange rate, to be successful, requires that the expectation regarding the behavior of domestic inflation vis-a-vis external inflation stay within a moderate range of variation. Recently, in reevaluating this expectation, the government decided to extend the period of preestablishment and to change the reference base from January-to-December to June-to-July. The rationale for determining the /level/ of the preestablished exchange rate is the need to address two objectives simultaneously: competitiveness of exports and attraction of foreign funds. For this very reason preestablishing the exchange rate is necessarily linked to preestablishing monetary correction in that the latter is an important ingredient in establishing the alternative cost of domestic borrowing. The strategy of preestablishing the exchange rate, within the context of minidevaluations, has been a decisive factor in assuring a steady and adequate flow of foreign borrowing by the private sector.

Preestablishing monetary correction, limiting credit expansion to 45 percent and establishing the new tax on financial transactions (IOF) are important elements in linking external policy and monetary policy. Mere enumeration of such instruments illustrates that restrictive monetary policy serves, in harmony with the fiscal policy described above, not only to assure effective control of inflation but also to create conditions favorable to adjusting the balance of payments.

Preestablishing monetary correction, besides helping minimize the degree of uncertainty in the decision-making process, represented a break with the past, unlinking the return on financial assets from fluctuations inherited from prices. This is, moreover, the system most compatible with controlling interest rates, minimizing drastic changes in savings flow pre and post establishment [of monetary correction] which normally accompanied changes in the trend of inflation. Above all, preestablishment [of monetary correction] can transform one of the negative factors of any "a posteriori" system of correction, which is reinforcement, into an element favorable to an even more rapid decrease in inflation, having once assured the beginning of a reversal in price behavior. This is because in the course of time a declining rate of inflation faced with a previously fixed and known rate of correction, automatically leads to a higher real return on savings, hence stimulating reduction of consumption, which reinforces the previous trend of falling prices.

This is precisely the behavior anticipated for the Brazilian economy during the next 12 months for which a plateau of 50 percent was set for monetary correction, which is also the ceiling for exchange devaluation. This new level of 50 percent demonstrates the government's concern in maintaining adequate incentives to voluntary private savings which should supplement and reinforce the currently-existing compulsory mechanisms. Reducing inflationary expectations means, in the long run, limiting the exacerbation

of consumption and increasing domestic savings capacity. Here also there is another important point of contact between that strategy and the objective of restraining the rate of foreign-debt expansion.

The previous remarks suggest that there are objective limits--represented by the levels of voluntary saving--to the possibility of controlling interest rates in an economy under strong inflationary pressure. For this very reason current strategy is not one of rigid control in the sense of setting limits, but a system for /flexible/ administration of rates, the main effect of which is to minimize the natural tendency for market interest rates to incorporate, in the process of their formation, not only current conditions of liquidity and inflation but also future price expectations. Administration of interest rates has thus been used as an important instrument to restrain inflationary expectations, which in turn contributes to reducing the lag between the action of restrictive policy and its final effects on prices. Administration of market rates is also necessary so long as the relative share of free credit in total credit (now about 20 percent) is not increased, which in turn depends upon the effort to reduce the amount of subsidized credit.

Collateral effects of this control of market rates on demand for domestic credit were eliminated by imposing a rigid limit of 45 percent for quantitative expansion of domestic loans that affects commercial banks, financing companies and investment banks. This mechanism, necessarily temporary because of its negative effects on the competitive capacity of the financial system, is extremely important to a transitional phase such as we are now going through. It functions as a veritable safety valve for monetary policy, minimizing the inflationary effects of incidental deviations in complying with the monetary budget. As in this system the excesses between deposits and loans spill over into the open market, where they finance acquisition of federal government securities, it is possible to execute a more restrictive monetary policy without exerting exaggerated pressure on short-term interest rates. In excluding the relending of foreign funds (except for loans to exports and agriculture) from the quantitative limit, this instrument implicitly strengthens incentives for the private sector to share in the effort to finance our balance of payments. It is also worth mentioning that controlling the financing of durable goods is another way to reduce consumption and hence to diminish the inflationary impact of wage increases.

Beyond these short-term measures, the Central Bank has been concerned about creating conditions for the financial system's structure to become increasingly more competitive and efficient. It has adopted a nonpaternalistic posture seeking to eliminate the implicit subsidy content in many previously existing schemes of financial assistance. There is also a deliberate policy of strengthening small and medium-sized institutions, creating objective conditions for balanced growth and, whenever possible, directed toward specialization at the regional level. To this end, changes are being made in the policy for granting agencies and charters, the current criteria for which lead to a process of even greater concentration in attracting funds

on the part of large conglomerates. The idea is to favor, in this expansion process, small and medium-sized institutions that choose to specialize in given geo-economic regions, managed by entrepreneurs with local roots, broad experience and proven investment capability. This regionalization of the financial system is intended to supplement and not replace the large private institutions of national scope, now with significant stature abroad. It represents a natural counterpart to the effort of economic decentralization and correction of regional inequalities, which cannot remain dependent exclusively on the action of governmental bodies. This process of opening the financial system had been initiated with granting new charters to investment banks, finance companies, merchandise leasing companies and dealerships. In all of these cases there is a need for immediately available equity capital without any financing by the Central Bank and absolute control by private domestic capital. It is these more profound measures that will create conditions for effectively reducing the cost of financial intermediation, still excessively high in the Brazilian case.

Structure of monetary policy is completed by broadening the field of incidence and establishing new rates for the financial transactions tax. The IOF is, in the first place, a sensible alternative to raising the effective cost of domestic loans without abandoning control of interest rates. The spread in this case is appropriated by the government and constitutes an important source of funds for executing the monetary budget. Simultaneously, by raising the cost of cruzeiro loans vis-a-vis dollar loans, this new tax reinforces incentives to borrow money abroad. Extending its application to imports also contributes to reducing trade deficits.

During the first 6 months of this year the principal objective was to provide instruments of monetary policy so that it can effectively fulfill the important role assigned to it in correcting imbalances. It was necessary to provide these new instruments to enable more reliable establishment of a priori ways to offset deviations from the monetary budget originating in the so-called "open accounts" that provide for the priority areas of agriculture and exports. These accounts now represent about 50 percent of the monetary budget and are by their very nature impossible to anticipate accurately. Also to be taken into consideration are the distortions still existing in the undefined funds in the fiscal budget involving sizable categories of subsidies (such as those to petroleum, meat, milk and wheat), agricultural insurance, and so forth, whose effect spills over directly in terms of unforeseen expansion of the monetary base. Under these conditions there is no reason to be surprised by occasional deviations in implementing the monetary budget: it is, in fact, intrinsically subject to maladjustment.

The problem, therefore, is not in implementing monetary policy but rather in its premises. In other words, monetary policy is the common estuary toward which all distortions originating in other segments of the economy necessarily converge.

Under current conditions, given the potential volume of variations represented by the factors described above, compensation cannot be made exclusively within the narrow scope of monetary instruments. The natural candidate, which is the open market, has obvious limitations of a structural (excessive dependence upon the repurchase mechanism) and cyclical (control of interest rates) nature. As a result of such limitations it can only be used in a systematic way to correct minor fluctuations. The alternative, under such conditions, is once again generation of fiscal surpluses that function as an insurance reserve and can be used to neutralize the expansionist impact of such elements. The new IOF, the compulsory loan and the effort to eliminate petroleum and wheat subsidies by means of price increases reflect the government's full awareness of the nature of the problem that must be confronted for a finer adjustment in executing monetary policy.

It is also necessary to acknowledge the institutional restrictions on executing monetary policy, epitomized in the many functions assigned to the Central Bank and the dual role of monetary authority and commercial (and development) bank played by the Bank of Brazil. Current strategy is to gradually advance toward a system of strengthening the Central Bank as a monetary authority, which has been initiated by creating the banking reserve account and immediate implementation of the BC [Central Bank] check. The banking reserve account represented the first effective step toward transferring voluntary deposits of commercial banks in the Bank of Brazil and accounts of other official financial institutions to the Central Bank, all this intended to create a single treasury for the financial system. This important change in the system of monetary control originated from the open-market reform that created the Special System for Financial and Trust Settlement (SELIC) which required payment for government bonds in immediately available reserves and concomitantly eliminated the so-called "athletic check." The BC check will replace the BB [Bank of Brazil] check in reserve transactions and will enable the treasury of the Central Bank to be established. Ways are now being studied to eliminate the Bank of Brazil's automatic use of the so-called "active account." In regard to the development functions performed by the BC (and by the BB as well), the issue is not simply transferring to other institutions all subsidized credit, transforming by this feat of magic the Central Bank of Brazil into an orthodox monetary authority. Mere institutional transfer of control and application of such funds would only increase the paper work involved, even disregarding the elementary fact that such funds are reloaned in a decentralized manner throughout the financial system, which is the reason for the Central Bank presence. The definitive solution in this case is to revise the very nature of such subsidies, which over a period of time will naturally cause a gradual depletion of the development functions performed by the Central Bank. As for the Bank of Brazil, its role as an important instrument for developing agriculture and exports can be reconciled with monetary control provided that precise a priori quantification is established of the effective funds to be reloaned. At this point the discussion returns to the concept of the "open account" in the monetary budget.

The experience of the first 5 months of this year confirms the preceding remarks. The major factor in feeding monetary expansion was precisely the deficit of about 92 billion cruzeiros in the petroleum account. During this period it was possible to offset excesses in the Bank of Brazil's open accounts (26 billion cruzeiros) by restricting Central Bank relending to 3/4 billion cruzeiros less than originally programmed in the monetary budget. The open market, despite all the restrictions associated with control of interest rates, showed a contractionist performance, withdrawing net funds of about 30 billion cruzeiros during the first 6 months.

The intentional loss of about \$3 billion in foreign reserves was the most important instrument of monetary policy during the first 6 months of this year. This courageous decision sought, in the first place, to permit immediate absorption of the excess liquidity accumulated as of the end of last year. It also reflected concern to prevent hasty entry by Brazil into the international market during a period of extreme uncertainty caused by the impact of the Iranian crisis and the Russian invasion of Afghanistan. It is important to recall that interest rates in the Eurodollar market reached extremely high levels at the beginning of the year (about 20 percent), impossible to sustain due to the obvious excess of international liquidity fed by substantial surpluses from OPEC countries. The Brazilian strategy of waiting for normalization of market conditions was proven correct. After March we again borrowed heavily when interest rates fell to less than 10 percent, which even permitted a realistic adjustment of spreads with appreciable net savings of funds. The total amount of money borrowed abroad during the first 6 months of this year was about \$5 billion, which confirms the international community's confidence in the recovery capabilities of the Brazilian economy. The experience of recent months serves to illustrate that, despite all the theorizing about new institutional channels for relending petrodollars, the free Eurodollar market is still the only effective mechanism with sufficient agility to finance current-account deficits associated with the petroleum crisis. From the political point of view, the advantages of obtaining funds in a fragmented and highly competitive market are obviously superior to the institutional and very bureaucratic alternatives that implicitly bring with them stipulations that go beyond a relatively impersonal assessment of the economic risks involved. Brazil, moreover, is in an extremely favorable position to expedite direct relending of petrodollars, especially now that more financial institutions are coming to be controlled by the Arab countries.

It is interesting to note that were it not for the petroleum account's impact, we would have had an extremely rapid process of monetary contraction during the first 5 months of this year, with the expansion rate of the monetary base (primary currency issue) falling from an annual rate of 84.4 percent in December 1979 to about 39.3 percent at the end of May, which would represent a 15.7 percent reduction for the year. This performance, which more resembles shock treatment, could hardly have been sustained because of what it would have represented in drastic reduction of the economy's real liquidity level.

Another underemphasized aspect is that, despite all the difficulties just described, growth of the monetary base (primary issue of currency most directly under control of monetary authorities) in the first 5 months of this year (4.9 percent) remained significantly below expansion of the money supply (11.6 percent), in a performance exactly opposite to that observed in the same period last year.

The possibilities of greater monetary control during the second half of this year increase in keeping with the contribution of the new IOF and the compulsory loan, reinforcing the Treasury cash surplus. There is also a prospect of eliminating by August the petroleum account deficit, which should be stabilized at 120 billion cruzeiros, and the beginning of a gradual reduction in wheat subsidies. Elimination of such subsidies is crucial for the success of monetary policy, in that the contractionist effect of exchange policy can no longer be counted upon in the last part of the year. The surpluses thus generated should more than offset additional foreseeable pressures, especially those related to agriculture operating costs associated with the basic operating cost (VBC) (about 45 billion cruzeiros) and PROACRO [Agriculture and Livestock Activity Support Program] agricultural insurance (about 19 billion cruzeiros).

Finally, setting the new plateau for monetary correction and raising the cost of domestic loans made more room for fluctuations in rates on short- and medium-term government securities (LTN [National Treasury Bills]), giving more flexibility to the open-market policy.

Hence the prospect is for a 6-month period in which, having gone beyond the stage of implementing new fiscal and monetary instruments, the major effort will be that of coordinated and harmonious management of already-existing mechanisms. The relevance of proper manipulation of those mechanisms is even greater in the current stage, in which there is an obvious gap between monetary correction applied to capital and that applied to wages. In this sense, the current Brazilian situation is the reverse of what occurred when indexing was first introduced; then, the rule was partial correction of wages and full correction of capital. As long as wage policy is still in the initial learning stage, especially in regard to applying the concept of productivity, fiscal and monetary policy will have to minimize the inflationary impact of wage increases.

In summary, continuity in executing coordinated restrictive fiscal and monetary policy must necessarily lead to reversal of the inflationary process. There will still be a period in which monthly price indexes, incorporating corrective elements, will mark this tendency. It is essential to understand, however, that these transitory price increases will help to effectively eliminate the roots of the inflationary process. We are now at exactly that moment when the effects of using policy instruments are still in the process of being transmitted to final prices. The exact time interval of this transposition is difficult to state precisely, as it will vary in keeping with the psychological behavior of society; that is, the way in which individuals see this future price behavior. As soon as there is a

change in expectations, generally associated with the spreading belief that the government has effective control of the basic causes of inflation, there should occur a deceleration--although discontinuous--in the rate of price inflation. In the current Brazilian case, this reversal of expectations is being affected by the behavior of two variables that, for different reasons, are not under direct control of the government: the price of petroleum and wage increases.

Summary and Conclusions

The preceding analysis sought to show the logic of the current strategy for correcting internal and external disequilibria in the Brazilian economy within a context of social restrictions and institutionalization of the political liberalization process.

The instruments of economic policy described above establish a consistent link between current events and structure, between short-term objectives and more profound long-term changes. Nor is there any incompatibility in the course of time between the effort to achieve economic discipline--which, upon containing the inflationary process and eliminating external restrictions, really creates the objective conditions for sustaining economic growth--and the legitimate desire--which becomes more significant with greater political participation--for expanding the social content of our development.

Sustaining growth is essential to maintain the proper degree of social mobility that in the Brazilian case functions as a veritable lubricant of the social fabric, reducing tensions and nurturing favorable expectations of future changes, which must not be frustrated on peril of being transformed into a destabilizing factor.

Generation of surplus real resources of noninflationary origin that will enable social demands to be more fully met is intimately associated with redefining the role of the state, providing the economic system with more competitive and more efficient conditions. Political decentralization should stimulate this process of economic liberalization, the advantages of which will become more apparent once the current short-term crisis is overcome.

8834

CSO: 3001

PP HEAD DENIES ANY CHANCE OF PP, PDS ALLIANCE; OTHER COMMENTS

No PP-PDS Coalition

Rio de Janeiro JORNAL DO BRASIL in Portuguese 23 Jul 80 p 3

[Text] Senator Tancredo Neves assured yesterday, in Rio de Janeiro, that "there is not the slightest possibility, in the present state of affairs, that PP [People's Party] may become a party in support of the government." He stated that there are "profound differences" between the government and PP, not only on principles but also on objectives.

In the opinion of the president of the People's Party, "the government is still inspired by an authoritarian spirit in its antidemocratic behavior and in its decisions that are definitely against the people." In addition to that, "the PP was established to be a opposition party. It has remained in the opposition and will continue in it, because it is convinced that, in the present state of affairs, the role of the opposition is the one most consistent with the interests of Brazil and its people."

Apprehensions

The senator from Minas Gerais said that he knows Deputy Flavio Marcilio, author of the idea of a coalition between PDS [Social Democratic Party] and PP, very well and that he believes that the initiative "stems from apprehensions concerning Brazil's political situation, which appears to be unstable, with uncertain, changing prospects."

The government, "which has no stable, significant majority in the Senate and in the Chamber, has reduced its power of initiative, when what is not good for the normal functioning of the democratic regime is not abolished."

In the opinion of the president of PP, political party reform "runs the risk of not attaining its objectives, insofar as the government, which feels that it being checked in Parliament and in the eyes of public opinion, is deciding to surround its party with every privilege and advantage, by means of casuistic reasoning and prerogatives that compromise its authority and impartiality."

Conditional Support

Although he denies any possibility of a coalition with PDS at the present time, Senator Tancredo Neves pointed out that PP "is not in the service of frenetic, vehement radicalism." Therefore, it will never refuse to support the government, "provided it is inclined to adopt initiatives or to establish guidelines aiming at full democratic consolidation, a more fair arrangement of our economy and the establishment of a social policy inspired by justice."

The Minas Gerais member of Parliament added: "But we shall absolutely refuse to give our support to the government for the elimination of elections, the emasculation of the democratic process, economic oppression and the policy of wage flattening and of strengthening the privileges of the dominant classes."

The president of PP also believes that "unity of members of the opposition, without detriment to their identity, is an essential, decisive factor in the restoration of democratic order in Brazil." Hence "the difficulties for coalitions with PDS." According to Senator Tancredo Neves, in 1982 PP will be in a position to elect from six to eight governors and will be the scale pointer in Sao Paulo, Rio Grande do Sul and Pernambuco.

PP Secretary Denies Coalition

Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jul 80 p 8

[Text] The national secretary of PP, Deputy Miro Teixeira, refused to respond, yesterday, to statements made by the minister of Justice who said that he was interested in a coalition of the People's Party with PDS, on a national level, "because both I and Senator Tancredo Neves and other PP leaders, as well as Deputy Thales Ramalho, have already exhausted the issue." He added that "Abi-Ackel does not know what he wants and what he is saying."

The member of Parliament from Rio de Janeiro remarked that "it is difficult to analyze or even to respond to any political topic raised by the minister of Justice, because he always aims at attaining objectives that are not ours. PP and the other opposition parties want, for example, clear expressions on the destiny of political opening, determination of a stable election schedule and of a lasting legal order, and Abi-Ackel is not inclined to make them."

Greater Spirit

Deputy Miro Teixeira, who tried, yesterday, to contact Deputies Figueiredo Correa (Ceara), Antonio Maria (Rio Grande do Norte) and Renato Azeredo (Minas Gerais) in connection with the definitive establishment of PP in Brazil, commented on the PDS leaders who "are talking about agreements and alliances on the parliamentary level."

He went on to say that "naturally, there is, in those desperate appeals, a confession of weakness and of lack of confidence in the significant parliamentary majority of which the government boasted. With regard to PP, I take those statements as proof that we are growing, because no one would be concerned with attempting arrangements with parties incapable of surviving."

Constituent Assembly

The secretary general of PP believes that in August his party will have to engage "more decisively" in the issue of calling a national constituent assembly, "because 6 months after the law on party reform has been in effect, it has become evident that the government does not have the slightest intention of establishing a legal order capable of ensuring democratic plurality in all its fullness."

In the opinion of Miro Teixeira, "the constant promises of constitutional reforms made by the government cannot be taken seriously, because even PDS, as the continuation of the abolished ARENA [National Renewal Alliance], proves the opposite, aiming only at inconsistent casuistry." The PP leader shares, with regard to a constituent assembly, the same point of view as the PMDB [Brazilian Democratic Movement Party], because "only a constituent assembly will give the country the social pact desired after 16 years of exception."

A. Carlos Prefers To Await Election

Salvador--In spite of the fact that he does not rule out the possibility of an arrangement between PP and PDS, on the national level, Governor Antonio Carlos Magalhaes does not believe that this can take place before the gubernatorial election in 1982, "because, first, each one has to discuss with his constituents."

In Bahia, however, there is no interest in an agreement on the part of PDS, as Antonio Carlos Magalhaes pointed out. He denies that this position stems from his political enmity with former Governor Roberto Santos, leader of PP in Bahia. "I do not insert personal issues in political matters," he argued, "also because my adversaries are adversaries because they want to be, since I am not on their side."

With regard to the statement made by Senator Tancredo Neves that, in the present state of affairs, there is no chance for a coalition between PP and PDS, Antonio Carlos Magalhaes agrees. According to him, PP does not yet exist and PDS and in process of forming. Therefore, "things that do not exist cannot be joined."

Nevertheless, an arrangement between the two parties aiming at making PP an association in support of the present government may take place after the 1982 election, in the opinion of the governor of Bahia. In justification of the contrary stand taken publicly by the national president of

PF, Antonio Carlos Magalhães quoted a statement that he says is common in political circles: "create difficulties, in order to negotiate facilities."

"Just as my government is of the PDS, the federal government also is of PDS," he added. He pointed out, however, that this does not mean that the government is not turned toward all the people. The political part belongs to the party. The general welfare part belongs to all."

When he commented on the results of the first PDS meeting in Bahia, which brought together over 2,000 mayors, city councilmen, members of Parliament and other political leaders, the governor stated that "it was the greatest political event in the state in recent years."

He said that "people in the interior were encouraged by the knowledge that they have the determined support of the government to achieve their goals on a municipal level," while the minister of Justice, Ibrahim Abi-Ackel, and the national president of PDS, Senator Jose Sarney, confessed that "it was the finest and most complete spectacle from the party's point of view."

In pursuit of the program of attention to the municipalities and for the purpose of strengthening PDS in Bahia, the state government is going to build thousands of soccer fields in the interior this year. In this connection, the first activity in the PDS meeting was the distribution of 300 ambulances to mayors and other municipal leaders.

PDS Leader Stresses Democracy

Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Jul 80 p 5

[Text] Porto Alegre--The national president of PDS, Senator Jose Sarney, stated yesterday that PDS "is a party that has no master, that must make decisions collectively and not receive packages from top to bottom" and that before consolidation of the party "we must consolidate democracy, which is Brazil's number one priority."

The statements were made during the ceremony of launching PDS in Rio Grande do Sul. He described PDS as "the party of reform and of change, so that a more just and humane society may be created" and he added that "a strong party represents the source of stability of the opening up of democracy, of the democratic regime that we are aiming at establishing. Outside the party, there is no salvation."

Social Rights

In his speech, Senator Jose Sarney stressed the importance of the legislative branch, "the greatest of the liberal institutions," and that, in his opinion, it must have every prerogative, because if "the legislature is weak, democracy is weak."

He defends "the social rights that make up human dignity" and the fact that Brazil, "which has given rise to so many miracles like the Itaipu hydroelectric plant, will have to eliminate the gap between those who have everything and those who have nothing."

Senator Jose Sarney admitted that the country is faced with economic difficulties, but he pointed out that, when foreign debt is mentioned, "it must be said that it was incurred for building hydroelectric plants and roads." He criticized the opposition, "which only presents solutions to economic problems with words and not with concrete alternatives."

He also believes that it will not be possible to fight inflation with economic recession, "so that the rigid system caused by recession will not suffer."

Possibility of Coalition With PP Admitted

The national president of PDS, Senator Jose Sarney, admitted, yesterday, the possibility of a coalition with PP, "tactically, inasmuch as the various political forces can join together."

He said that the holding of elections this year, without parties yet formed, would not help consolidation of the process of political opening. He believed, however, that a direct contest for governors in 1982 "already is a certainty."

Moral Terrorism

In an interview, the senator also stated that the initiation of the succession campaign at present aiming at the 1982 election "would be detrimental to the constitutional process," but he realized that an aspiration to candidacy "is latent in many politicians."

The national president of PDS also believes that there may be, in the multiparty system, subgroups in municipal elections, but he does not know whether their extent "is suitable for the process of political opening up."

He refuted the statements that restoration of the prerogatives of Congress displeases the government. "They are the basis of the democratic process. We want a strong Congress, because it represents a strong democracy."

Concerning the possibility of an alliance with PP, he said that "the government has never promoted this." Nevertheless, he admitted the possibility of a coalition, because "coalitions are going to exist tactically, inasmuch as the political forces can join together."

When he discussed the accusations against members of the government -- secret accounts in Switzerland and participation by military men in rightist acts of terrorism -- he described them as "moral terrorism" and he emphasized that they are harmful, because they persist. "They are more serious,

because they offend persons and wear down the government. It is a kind of provocation that does not serve to consolidate the process of political opening up," the senator emphasized.

With regard to the calling of a national constituent assembly, the national president of FIS replied that "a constituent assembly is only convened when there is institutional chaos." He added that Congress has powers to reform the Constitution with no need for calling a constituent assembly and, according to him, this should take place, because the Constitution has to be adjusted to new situations.

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PT LEADER CONCEDES POSSIBILITY OF RIGHTIST COUP

Strong PT Predicted

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 18 Jul 80 p 4

[Text] Managua--The president of the Workers Party (PT) Luis Ignacio da Silva, said yesterday, in Managua, that his party will shortly be the strongest one in the country and he admitted the possibility "of a rightist coup in Brazil," but he guaranteed that this does not worry him, because "it is impossible to be worse than it is now." According to Luis Ignacio, in the opinion of the Brazilian working class, "there is no solution other than struggle against the national and multinational bourgeoisie."

The PT leader is in Managua at the invitation of that country's government to participate in the celebration of the first anniversary of the Sandinist revolution. He commented on the situation of Brazilian wage earners and he stated that the metalworkers' strike in April "was decisive for the future of all workers." Concerning the visit by Pope John Paul II, he said that "it was imprinted in the minds of the governing authorities that he is on the side of the working class."

The president of PT also complained of the high rate of inflation and of the "increasing foreign debt that is threatening Brazil's future development." Finally, he criticized the Communist Party, remarking that "the perfect society is that one that comes out of the consensus of the workers, while the CP has a plan set up that is not subordinate to the will of the people."

He pointed out that "no one has the right to dictate rules or to specify the kind of society that a people must build. Therefore, we reject imperialism, regardless of whether it comes from the United States, from Russia, from Germany or anywhere else."

Priority: "Organize the People"

Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Jul 80 p 4

[Text] The national president of the PT, Luis Ignacio da Silva, Lula, reiterated yesterday that his party disagrees with an immediate calling of a national constituent assembly. In the opinion of the former president of the Metalworkers Union in Sao Bernardo do Campo and Diadema, it is necessary, first of all, "to organize the people" and only after that to think about a constituent assembly. Lula also commented on his recent trip to Costa Rica and Nicaragua, where he participated in the celebration of the first anniversary of the Sandinist revolution.

Concerning the constituent assembly, Lula said that PT does not intend to propose its immediate convocation. He pointed out that the party is not opposed to a constituent assembly, but that "it is necessary, first of all, to organize the people. We want to know who is going to convoke that constituent assembly." Lula mentioned Peru as an example, where, according to him, the Constituent Assembly was called by the bourgeoisie and the people "are still miserably miserable."

In a press conference granted in PT headquarters, in Sao Paulo, Lula also stated that he returned from Nicaragua with the best impressions of the people and of the work of the Junta for reconstruction of that country, "which may be a new model for Latin America. I saw much hope in the Nicaraguan people, much joy stamped on their faces."

When he talked about Nicaragua, Lula criticized the "bourgeois press" for carrying news not connected with the present situation in that country. Lula said that he witnessed the enthusiasm applied to the work of Nicaragua's reconstruction. "They want to rebuild the country for themselves and not for American or any other imperialism. They are following through with implementation of the literacy plan. The agrarian reform is continuing not only in connection with Somoza's land, which has already been distributed, but also unproductive land. I visited factories in which the workers exercise administration."

Fidel

Lula denied that he had talked with the president of Cuba, Fidel Castro, who also participated in the celebration of the anniversary of the Nicaraguan revolution. "I was with him on the same platform during the reception, but we did not converse." Lula praised the speech made by Castro, in Managua, stating that his words were appropriate to the present situation in Nicaragua. "He was master of the celebration. He was the one whom the people of Nicaragua wanted to hear."

The national president of PT condemned the recent attacks made on jurist Dalmio Dallan, on the PT headquarters, on the CBA-SP (Brazilian Amnesty

Committee-Sao Paulo] headquarters, and on newsstands. He said that these acts are being perpetrated by extremists, "but no one should be intimidated by that, because that is exactly what they want. It means that we have to organize ourselves more and more." Lula appealed to the government to detect the perpetrators of the attacks.

Luis Ignacio da Silva said that he did not believe that he can be accused of ideological falseness for having gone to Nicaragua and not only to Costa Rica in accordance with authorization issued by the court. Because Luis is being tried under the National Security Law for his participation in the latest strike by the metalworkers, in ABC [Santo Andre, Sao Bernardo do Campo, Sao Caetano do Sul], his trip abroad had to be authorized by the judge of the Second Military Court. That authorization only covered his trip to Costa Rica, with no reference to Nicaragua.

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UNE DIFFERS ON MEANS OF ELECTING NEW DIRECTORATE

Sao Paulo FOLHA DE SAO PAUL in Portuguese 24 Jul 80 p 14

[Text] Elections for selecting the next directorate of the National Students Union (UNE) are to be held during the UNE congress, scheduled for the second or third week in October, in case the decision of the Council of Rank-and-File Organizations (CONEB), which met at the beginning of this month in Rio de Janeiro, prevails. Nevertheless, there is a faction in the student movement -- supported by seven UNE directors -- that wants a direct election by means of voting in ballot boxes.

In the CONEB meeting, close to 500 rank-and-file organizations decided to approve the holding of an election during the UNE congress. However, because the matter caused much controversial discussion during the meeting, the decision ended up by being partial, because it provides for another discussion of the issue, with the possibility that the selection process may be changed into a direct election by means of ballot-box voting. In the meantime, until then, recording of names on the tickets is open.

The following are the UNE directors in favor of a direct election: Marcelo Barbieri (vice president), Claudio Vacarezza, Juarez Amorim, Maria Francisca de Sousa, Luis Falcao, Pedro Reis Pereira and Vladimir de Oliveira. On the other hand, the following are in favor of holding the election during the congress: Rui Cesar Costa Silva (president), Alon Feuerwerker, Sergio Carneiro, Gilberto Martin, Aldo Rebelo and Ivaneck Perez.

Positions

Yesterday, in Sao Paulo, two UNE directors defended the positions taken with regard to holding the election. Marcelo Barbieri, UNE vice president, in favor of a direct election in ballot boxes, and Aldo Rebelo, secretary general, in favor of an election during the congress.

Aldo Rebelo believes that, at the beginning of the second semester, students will be preparing "to wage a great battle against paid education and a greater struggle for more education appropriations." According to

to what he said, "that assigns UNE the great task of directing those struggles, as well as guiding the general grievances of the students, on the side of the people against the military regime."

Aldo said that "ballot-box elections require a great amount of time for their organization and they can be fully replaced by a congress whose delegates are selected by means of broad participation by all the students."

On the other hand, Marcelo Barbieri stated that the second semester will be important to the students "who are going to say "no" to the education policy of the military dictatorship. They are going to struggle against a review of annual fees. They are going to demand of Maluf, in Sao Paulo, a supplementary appropriation for Sao Paulo state universities. They are going to struggle along with all the people for holding an election in November and they are going to struggle for recognition of UNE."

"For this reason," Barbieri said, "a direct election is going to strengthen these struggles, making broader student participation possible, and each ballot in the ballot box will represent a vote against the government's education policy."

Marcelo Barbieri agreed that the congress will be extremely representative, but he said that "a direct election to be held with the support of the students will serve to stimulate our struggles and make them effective." In this connection, Aldo Rebelo said that "this is also the understanding of the vast majority of the Brazilian students who were represented on CONEB, which decided on an election during the congress."

In turn, Marcelo Barbieri said that he respected the decision of CONEB, but he pointed out the stand taken by the 32nd UNE Congress -- held in Salvador -- which, according to him, "was the most representative of all the meetings of UNE and which was able to reflect the students' great desire for democracy by approving ballot-box elections for the selection of the directorate of which we are members."

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TRADE BALANCE SHOWS \$2 BILLION DEFICIT AFTER FIRST 6 MONTHS

Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jul 80 p 27

[Text] Brasilia--Brazil arrived at the end of the first half of this year with a trade balance deficit of \$2.027 billion, with imports amounting to \$11,220,000,000 and exports amounting to \$9,193,000,000, according to data released yesterday by the Ministry of Finance. The deficit for June was \$206 million.

Oil purchases alone in the first 6 months were responsible for expenditures on the order of \$4,791,819,000, while wheat imports amounted to \$484,007,000. On the other hand, coffee sales yielded \$1,459,000,000. The secretary general of the Ministry of Finance, Eduardo de Carvalho, expects imports to fall off in the second half-year.

Growth

With regard to June, actual exports, according to the data released yesterday, amounted to \$1,653,000,000, including \$909 million in manufactured goods and \$744 million in basic products. On the other hand, imports amounted to \$1,000,859,000 (\$799,370,000 for oil and \$92,950,000 for wheat).

At any rate, Eduardo de Carvalho pointed out that the average increase of exports in the first 6 months of the year was 35 percent, a trend that he expects to be repeated during the second half-year. He also pointed out that, although the schedule of imports is being kept under strict control, oil and wheat alone were responsible for over 50 percent of the expenditures in the first 6 months.

"This did not allow the desired balance, but we hope that the brilliant behavior of exports in the first 6 months can continue and contribute to a reduction of the deficit in the balance of trade in 1980," he stated. According to him, the effects of the increase in the IOP [Tax on Financial Transactions] rates will begin to be felt starting with the July, August and September indices.

He also pointed out that the government expects a decrease in petroleum imports in the last months of this year and "necessarily, the consequences

of a certain moderation of the economy in the second half-year are making us not lose sight of the possibility of maintaining our goals in the balance of trade." At any rate, he said that, although exports should be greater than \$20 billion, imports also are going to exceed the limit set by the government.

The director of PETROBRAS [Brazilian Petroleum Corporation], Paulo Vieira Bellotti, who accompanied Eduardo de Carvalho when he announced the trade balance figures, pointed out that oil imports should decrease starting in July. "We have a supply good for 100 days and we can reduce imports as far as possible," he said. He added that, in addition to being importing only 880,000 barrel a day, PETROBRAS has already observed that domestic consumption appears to be stationary at present, while domestic production of oil has increased.

Balance of Trade
(in millions of dollars)

| Month | Imports | Exports | Balance |
|----------|---------|---------|---------|
| January | 1,815 | 1,325 | -490 |
| February | 1,751 | 1,350 | -401 |
| March | 1,895 | 1,442 | -453 |
| April | 1,974 | 1,487 | -487 |
| May | 1,926 | 1,936 | + 10 |
| June | 1,859 | 1,653 | -206 |
| Total | 11,220 | 9,193 | -12,027 |

Galveas Does Not Believe Rischbieter's Forecast

BRASILIA—When Minister [of Finance] Euzébio Galveas commented on the deficit of over 12 billion in Brazil's balance of trade in the first 6 months, he said that he does not agree with the statement that, at the end of this year, the forecasts made by former Minister Carlos Rischbieter of a negative balance of \$4 billion may be confirmed. "Negative," he stated.

According to him, the conclusion that can be drawn from an analysis of the trade balance data for the first half-year is that some products -- primarily oil -- weighed heavily in Brazil's purchases up to June. "From now on, we expect a reduction in imports and, in addition to that, the rate of expansion of exports is very good," he pointed out.

In the opinion of Minister Euzébio Galveas, "there is no" possibility of the confirmation of a yearend deficit greater than the one that occurred in 1979 (\$2.7 billion). He guaranteed that the balance of trade will have a deficit lower than 10 billion in December, based on the expectation that imports will exceed the set goal (\$20 billion).

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THIS STATES COUNTRY MAY PRODUCE 300 TONS OF GOLD IN 1985

Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Jul 80 p 25

[Text] At present, Brazil has 48 areas with occurrences of alluvial or secondary gold capable of production and with characteristics identical with the gold found in Serra Pelada. If they were started to be worked now, they could produce close to 300 metric tons a year in 1984-1985, many times more than what is being mined at present in Brazil, officially, which is between 12 and 18 metric tons a year.

That amount is slightly less than half of what is produced by South Africa -- 705 metric tons a year in deep mines -- the largest supplier in the world at present. Those data are part of a study by the Mineral Resources Prospecting Company (CPRM) and which will be forwarded next week to Minister [of Mines and Energy] Cesar Cals. At present, Brazil imports close to 30 percent of its requirements for this metal, amounting to between 42 and 45 metric tons a year.

Wealth

The director of the CPRM prospecting area, Edison Suszczynski, states that close to 5,000 points of gold occurrence in Brazil have been identified. The largest ones are located in those 48 areas. Reserves of secondary gold alone estimated at present, within an initial evaluation study, amount to 10,000 metric tons, "but we believe that they have more than that."

That amount puts Brazil in first place as the world's largest gold reserve, a place that belonged to South Africa until then, with 16,500 metric tons. Primary gold deposits, which are the ones found in deep mines and incrustated in rocks, were not included in that evaluation, because there are few studies in Brazil for their evaluation.

The National Short-Term Gold Deposits Evaluation Program, already approved by the management of CPRM and to which finishing touches are being made to forward it to Minister Cesar Cals, suggests that six projects, involving 28 of those areas, be developed immediately. Funds amounting only to 170 million cruzeiros would be needed for that purpose for 1981, when

technical teams would work in the region, at the same time as they would start partial mining, merely in order to make the work self-sufficient.

There is no need for a large amount of funds, because there is no intention of innovating anything already in existence or of making the work sophisticated. It is merely necessary to carry out a policy of manpower utilization. It is sufficient, for that purpose, to establish a mining cooperative and mining towns that will support those areas. The 48 areas identified could have room for about 20 housing groups, as is already being done in Canada, Australia and Siberia very successfully.

Edison Suszczyński pointed out that, at present, Serra Pelada produces, on the average, 22 to 25 kilograms of gold a day and that, if work were begun today -- it is also necessary to evaluate the reserves more thoroughly -- in 1984-1985 those areas would be producing 300 metric tons a year "at a much lower cost. Take Serra Pelada, for example, where there are 15,000 men. The return from each cruzeiro invested in those men is more than 100 cruzeiros."

Forty percent of the funds requested will be allocated to the areas located in Amazonia and 40 percent to areas in the Northeast. The rest will be distributed to other points in the country. CPRM does not reveal the exact location of those areas. It only states that they occur in Amazonia along the Roosevelt-Aripuana, Madeira-Guapore, Maues, Paravari-Abacaxis, Moa-Jurua, Mirim do Ouro-Embira and Nhamunda-Jatapu-Uatuma-Urubu rivers.

In the Northeast, they are found in every state and in the Southeast Region they are in the iron-bearing quadrilateral of Minas Gerais and in Vale da Ribeira, in São Paulo. In the Southern Region, they occupy the Curitiba-Curu Fino, Cerro Azul-Rio Acunqui-Rio Ponta Grossa strip. In the Center-West, they are in the Cavaicanti-Dianópolis and Barro Alto-Goiânia-Niquelandia-east of Bananal Island strip.

The CPRM prospecting area director pointed out that Brazil has an advantage internationally, because the reserves of gold-producing countries are being exhausted, "while here they are still practically untouched." Russia, for example, is making extraordinary efforts to locate new deposits. It is the second largest producer in the world.

He also suggested greater control of mining activity in Brazil, because, for the present official production of from 12 to 18 metric tons a year, actually from 32 to 34 metric tons a year are being mined, without any supervision and they are smuggled out. The 48 areas identified have very low costs of operation, because they all consist of alluvial gold, which requires no special technology or sophisticated equipment, different, from that is true in the case of primary deposits.

The document to be delivered to Minister César Cals points out, in addition to stating the social objectives and the economic importance, the danger that, in case of procrastination, this potential might fall into the hands of foreign armies and international capital, "as already happens swiftly."



Without revealing the exact areas in which there is gold, CPRM announces that the largest concentrations are in Amazonia and the Northeast.

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MAGAZINE PICKS 50 MOST IMPORTANT PEOPLE IN 1980

Santiago QUE PASA In Spanish 24-30 Jul 80 pp 6-9

[Text] Several dropped from 1979 list. Eight state ministers included, two of them "key men" for first time. Economic team remains intact. New in 1980: inclusion of women.

The study we make every year of "key men" has become traditional and is long awaited. In 1980, these men--whose names are in boldface in the text and in strict alphabetical order in the summary graph on page 9--offer quite a bit of novelty, not the least of which, echoing the women's liberation movement, is the inclusion in the 1980 list for the first time of two women. As usual, on the other hand, we excluded from nomination the chief of state, members of Junta, the president of the Supreme Court and the controller general of the Republic, as well as the first lady and the wives of other members of the Junta. Not because they are not "key" persons, but just the opposite: because they are so obviously so that they do not need to be included on any list.

In addition, we are always scrupulous in seeing that the intellectual and art world is not represented on our annual list. The reason is simple (although arguable): it is difficult for us to measure the national importance of Chilean artists and intellectuals, either comparing them among themselves or assessing their influence on the country. Who is more important as a thinker: Juan Gomez or Jorge Millas? And who has had more influence on Chile: one of them or Gen (Roi) Manuel Contreras? In view of this difficulty, we prefer to leave artists and intellectuals to their own world, a practice with which, probably, they will agree *perfectly*.

Omissions

Several have been dropped from the 1979 list. Some have died (for example, Gen Rene Schneider). Others have lost the jobs which served as the "spring-board" for their public activities, for example, former Ministers Hernan

Cubillos and Gonzalo Vial, or Adm Arturo Troncoso and Gen Carlos Forestier, who have retired. Their new activities are very important, but not "key." There are also those who have left or who are about to leave the country for various reasons: for example, Claudio Orrego and Juan de Dios Carmona, as well as politicians (such as Luis Bossay), union leaders (like Eduardo Rion) and other persons whose importance in 1980 has waned or diminished--which does not mean that, in this changeable country, they will not recover it tomorrow with increased vigor. The final fact is that 21 key men of 1979 have ceased to be that in 1980. We ask their forgiveness. Why be concerned? Life has other compensations.

In the Tower

In Diego Portales, the following continue to be key personalities: Sergio Fernandez, minister of interior (although in a slightly different, more multifaceted role from that of 1977-1979); Sergio de Castro, minister of finance (his authority and influence undiminished, notwithstanding the passage of the years); Miguel Kast, minister-director of ODEPLAN [National Planning Office] (somewhat harassed by those who are not resigned to the end of state intervention in the economy, but still strong), and Jose Pineira, minister of labor and social security, whose center of gravity was displaced completely--since he was preparing its reform--after the success of the Labor Plan.

New ministerial stars:

Afonso Marquez de la Plata, minister of agriculture. His policy in beginning to show results in many fields (poultry raising, fruit culture, forestry, agricultural exports, etc.). But, at the same time, adjustment to the new economic and agricultural model has been difficult for certain sectors of the farming community. Both of these things make the subject of agriculture more important and debated in economic spheres today, and makes the person in charge of it a key man.

The same is true of the new helmsmen of health (Gen Alejandro Medina) and education (Alfredo Prieto), both in charge of modernizations which are as basic as they are delicate. General Medina must bring to reality on the spot the reform and restructuring of public health that his predecessors left designed and legislated. Alfredo Prieto, in turn, has drawn up and is accelerating the policy of transferring state educational establishments to the municipalities, which is a process of radical decentralization of education and has caused a great deal of debate.

Another key minister for QUE PASA is the successor to General Escobar--(replaced as head of the presidential general staff) Gen Santiago Sinclair, through whose hands pass all the threads of government coordination. This,

his direct access to the president and his close relationship of trust with the latter are the reasons General Sinclair is considered a new key man. The same reasons contribute to the inclusion of the list of key men of another general and recent minister: Sergio Badelón, secretary general of government.

We also include on the list two ministers who have been in the cabinet for some time:

Defense Minister Gen Cesar Benavides, a key man in 1977 and 1978, but not included in 1979 and who perhaps should never have been omitted from the list because of his delicate position, the great confidence the chief of state has in him and his influence in the army.

Justice Minister Monica Madariaga, in charge of one of the most urgent and important "modernizations" and, in addition, a counselor to whom the president is wont to listen and who is the legal executor of his political decisions.

Government

But government does not come from the Tower only. For that reason, the president and vice president of the Central Bank (Alvaro Bardon and Sergio de la Quadra, respectively) continue to be key men in the economic field. The first, in addition, has taken on a "fourth dimension" of importance as a hitting polemicist in favor of the government's policies; and Juan Carlos Mendez, director of the budget and therefore an influential voice in the distribution of state expenditures. An important indication of the stability of the economic team: De Castro, Bardon and Mendez have been key men in QUEPASA since 1977, for 14 consecutive years. To them we add in 1980 the inflexible and active Felipe Lamarca, director of internal taxes.

Leaving the economic world, the pattern is repeated with Gen (Ret) Odlanier Mena, director of the UNI [National Information Center], as a key man for the third straight year. He has had to carry out simultaneously an arduous and double task: that of purging, reorganizing and restoring to legality the chaotic former DINA [National Intelligence Department], transforming it into a real security service and, at the same time, fighting unceasingly against terrorism, which is heightened today by a new injection of funds and foreign "specialists."

Also included in the gallery of key men in the administration are the under secretary general of government, Jovino Novoa, and the mayor of Santiago, Patricio Guzman. With Minister Pinera, De la Quadra, Mendez, Lamarca and some of the other undersecretaries, Novoa and Guzman represent the "young blood" of which the president is so fond (something like Pablo Ramirez's "chaya" in the first term of General Ibanez), and they bring life to administrative action. Patricio Guzman, in addition, is a prototype "mayor": a

working official at a local level who is daily acquiring more importance by presidential decision, an importance which in turn is strengthened by the new functions (educational and health) and new revenues assigned to the cities.

Other key figures in the government:

The permanent ambassador for mediation, Enrique Bernstein, head of the team of experts and diplomats which represents us in this delicate international field.

The rector-delegates of the U [University of Chile], Gen Augustin Toro, and UC [Catholic University], Adm (Ret) Jorge Swett, who must confront, in their respective institutions--the most important of their higher education--growing academic and student unrest in view of the imminence of a new university regime.

Col Gaston Frez, executive president of CODELCO [Copper Corporation], the largest Chilean enterprise and one of the largest in the world.

Armed Forces

Besides the generals and admirals who are ministers and General Toro, who shines by his own light in the army in addition to his duties at the University of Chile, we include this year as key men:

Gen Washington Carrasco, deputy commander in chief of the army, whose representative qualities as an institutional spokesman have been emphasized by his frank criticism of the role assigned to the Armed Forces by the constitutional plan of the Council of State.

Adms Raul Lopez (commander in chief of the First Naval Zone and supervisor of the Fifth Region) and Ronald McIntyre (commander in chief of the navy), for their tenure and posts in the institution as well as for the closeness and confidence they enjoy with Admiral Merino.

The Church

Cardinal Raul Silva continues to be the most decisive ecclesiastical figure, but as the date for his retirement approaches and as his differences with other bishops intensify and become public, other prelates have been acquiring relevancy with a view to the future. Outstanding among them (since 1977) is Bishop Bernardino Pinera, and the bishop of Chillan, Francisco Jose Cox, is also making an appearance. Apart from his increasingly outstanding role in the Episcopal Conference, Bishop Cox symbolizes the growing influence on the Chilean Church of the Schonstatt Congregation. Finally, we add to the list Jorge Medina, priest and deputy grand chancellor of the Catholic University, a man of the future in the church because of his position and his Vatican connections.

Businessmen and Workers; the Press

Heads of two economic empires which are becoming increasingly extensive and powerful, Manuel Cruzat and Javier Vial, continue firm and unshaken on the list of key men for the fourth consecutive year.

To them we add in 1980 farm leader Domingo Duran, who has successfully agitated against the economic policy among some of the rank and file farming entrepreneurs.

Of the union leaders with national influence--after the "earthquake" of the Labor Plan--only two are left, both of them belonging to the copper union: Bernardino Castillo (recently reelected) and State Counselor Guillermo Medina.

Finally, in the press, businessman German Pico, a master of political navigation as owner of LA TERCERA, and the editor of EL MERCURIO, Arturo Fontaine, continue to be undisputed key men. However, we now add to them the editor of LA TERCERA, Alberto Guerrero, to whom the increasingly clear political definition of the paper is due.

Politics

In national politics (and even during the recess), two figures continue to be linked with the past and, through the inexorable passage of the years, are acquiring the legendary dimension of elder statesmen. They are, in the posture of independent government, the former chief executive and present head of the Council of State, Jorge Alessandri, and for the opposition, the former president of the republic, Eduardo Frei.

DC [Christian Democrat] rivals also, but on very divergent lines, Andres Baldivar and Jaime Castillo Velasco are in the gallery of key men (Castillo is a newcomer; Baldivar has been on the list 4 years). Baldivar is of the moderate opposition; Castillo is increasingly extreme and for that reason is seeking alliances which are further and further away from Christian Democracy.

Another Christian Democrat, lawyer and former senator Patricio Aylwin, is included by OVE FABA this year among the "50." The reason: he is leader of "The 24," that is, the most outstanding group of the constitutional opposition, which will doubtless play an outstanding role in the debate and eventual abolition of the new Great Charter.

And, bringing up the rear of the opposition: a number figure on the 1980 list, Andres Pascal, symbolizing the sudden importance of leftist terrorism and its prevention and punishment. The key men need not always be positive; they can be important in a negative way. Such is Pascal, as the Chilean head of OVE (Movement of the Revolutionary Left) (or the revolutionary movement which has replaced it) and of its terrorist activity, which has recently intensified in all its remorseless violence.

Among the rank and file of political supporters of the government and the military regime, the novelty of 1980 has been the already very clear division between the "decontrollers" (whom their enemies call "cowardly") and the "renovadores" (whom their adversaries call "hardliners"). Jaime Guzman and Pablo Rodriguez continue to be, respectively, the best-known spokesman of the two tendencies, neither of which, of course, needs any further explanation. However, on the other hand, two new names have entered the list: one of them, a woman, Lucia Pinochet, whose Corporation of National Studies is today the operational center of the "hardliners" (just as LA TERCERA is their newspaper voice). And also beginning to make a mark in politics, with "a hard line among hardliners," is the former director of DINA, Gen (Ret) Manuel Contreras. Around these colosses--Guzman as a "decontroller"; Pablo Rodriguez and Lucia Pinochet as "hardliners"; and Contreras--several minor figures move, whom the future may also transform into key men or women. One of them has already taken on this quality in 1980: "decontroller" Juan Antonio Coloma, grandson of the clever political conservative and currently president of the Youth Front of National Unity. Hernan Garcia Vidal, prorector of the University and "the man behind the throne" in that institution and in the Corporation of National Studies, retains his place on the list.

We have mentioned 49 key men and women. The last is the chief and representative of that old and reserved force, who moves about silently in administrative, political and educational, etc., circles: Horacio Gonzalez, Grand Master of Chilean Freemasonry.



Former presidents (Fret and Alessandri) remain 3 7 Figures



Ministers of health and education are in charge of two important "modernizations"



María Madariaga, the only woman minister and one of two key women on our list,



All the threads of government coordination pass through Gen. Santiago Sinclair's hands



Javier Vial and Manuel Cruzat, key businessmen for the fourth year



Jaime Castillo's opposition continues to be more extreme



Lucía Pinochet de García has begun to be a key figure



Monsieur Jorge Medina has, among other things, important Vatican connections



Andre Pascal: Key men need not always be positive

1985 Key Men of 1980

1. Jorge Alessandri
2. Patricio Aylwin
3. Gen Sergio Badilla
4. Alvaro Bardon
5. Gen Cesar Benavides
6. Enrique Bernstein
7. Gen Washington Carrasco
8. Bernardino Castillo
9. J. Luis Castillo
10. Juan Antonio Coloma
11. Gen (Ret) Manuel Contreras
12. Francisco Jose Cox
13. Manuel Cruzat
14. Sergio de Castro
15. Sergio de la Cuadra
16. Domingo Duran
17. Sergio Fernandez
18. Arturo Fontaine
19. Eduardo Frei
20. Gaston Fren
21. Hernan Garcia Vidal
22. Horacio Gonzalez
23. Alberto Guerrero
24. Jaime Guzman
25. Patricio Guzman
26. Miguel Kant
27. Felipe Lamerca
28. Vice Admiral Raul Lopez
29. Monica Madariaga
30. Vice Adm Ronald McIntyre
31. Alfonso Marquez de la Plata
32. Monsignor Jorge Medina
33. Guillermo Medina
34. Alejandro Medina
35. Gen (Ret) Odilario Mena
36. Juan Carlos Mendez
37. Jovino Novoa
38. Andres Pascal
39. German Pico
40. Lucia Pinochet de Garcia
41. Bernardino Pinera
42. Juan Pinera
43. Alfredo Prieto
44. Pablo Rodriguez
45. Cardinal Raul Silva
46. Gen Santiago Sinclair
47. Jorge Swett
48. Gen Agustin Toro
49. Javier Vial
50. Andres Zaldivar

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'BOHEMIA' ATTACKS YUGOSLAV MAGAZINE ARTICLE ON REFUGEES

Havana BOHEMIA in Spanish 25 Jul 80 pp 36-37

[Article by V. Robles: "When, In Order Not To See the Forest, a Tree is Invented"; in response to article in Yugoslav periodical NIN]

[Text] The Yugoslav periodical NIN recently published a long article entitled "Emigres: The inexhaustible River of the Desperate."

The editors of NIN can rightfully consider themselves experts on the subject: Yugoslavia occupies second place in Europe with regard to the rate of emigration. What is at first somewhat enigmatic is that they view the Ethiopian, Afghan and Cuban emigrants as "disagreeable surprises" and new exoduses "reminiscent of the old evils of the emigrations."

It must be presumed that the editors of this Yugoslav periodical are familiar with the bulletin of the International Common Market, which quotes official figures from that country in pointing out the following:

"In 1971, there were over 700,000 Yugoslav workers in West Europe, a figure that turns that country into one of the largest suppliers of labor to the Continent. If one adds to this figure that for immigrants to the rest of the world, the total approaches 1 million (Australia, 130,000; United States, 70,000; Canada, 52,000, and so on).

"Over the past 19 years," the publication adds, "Yugoslav emigration has experienced a noteworthy increase. The major recipients of this labor force are, in order of importance: the Federal Republic of Germany (435,000); France (70,000); Austria (65,000); Sweden (26,000); Switzerland (24,000); Italy (12,000); and Belgium (10,000), among others."

These figures give rise to various reflections and the most objective observer necessarily has to examine them in connection with the fact that according to official data from the Federal Statistics Office of Yugoslavia, another 700,000 citizens in that country are looking for jobs.

These figures are perhaps sufficient to show that it is precisely not the editors of NIN who should be surprised by the phenomenon of emigrations.

one would assume that for NIN, the flow of tens of thousands of Yugoslav citizens to the developed capitalist countries of Europe in great need of a cheap work force is an endemic phenomenon no longer surprising anyone. It is truly astonishing that professionals in the information field who are assumed to have objectivity and above all, a set of ethics based on the truth, should take up the topic of emigrations in the article, using as examples, among others, Ethiopia and Cuba and speaking in such terms that one would think they are referring to emigrants from Chile, Uruguay, Paraguay, Namibia or Morocco, rather than telling how this problem originated and is manifested in countries where there are far-reaching revolutionary processes with unquestionably deep roots in the people.

Let us quote a paragraph from the article in NIN to illustrate this statement:

"The Afghans, Ethiopians and Cubans, recently fleeing under what are frequently extremely dramatic circumstances, are attracting the attention of world public opinion."

Cuba: A Defined Position

Let us look at some of NIN's arguments:

When they take up the topic of Cuba, they emphasize the losses that tourism has suffered in Key West and Florida due to the arrival of Cuban "refugees."

NIN says that tourists have canceled their reservations for this reason, "especially after the great racial disorders in Miami."

The article immediately begins to construct a link between the two topics, even suggesting that the arrival of the scum caused the riots of the black population in Miami.

Let us look at the subtlety used by the reporters:

"It is difficult to relate these two events: the arrival en masse of Cuban emigrants and the racial incidents that occurred. But if we observe the results of the latest investigations made among public opinion in these regions, we see that 68 percent of those polled believe that the new waves of Cubans will have negative effects on the entire region," NIN says.

"Obviously," the Yugoslav publications adds, this opinion is shared by most Blacks, who feel more threatened than others by the arrival of more cheap labor. President Carter, who in an election year must take all these positive or negative points into account, now bears a heavy burden: that of the mass departure of people from Castro's Cuba to the free, eternally open country."

In these paragraphs, NIN takes a position extremely unfavorable to it.

First of all, not a single reference is made to the mistreatment and abuses of Blacks. Not a word is said about the reason for the riots in Miami which, it will be recalled, was the absolution of a number of white policemen who beat a Black to death. Nothing is told of the ferocious repression directed at Blacks, leaving 21 dead and some 300 wounded.

It is simply suggested that all this is related to the arrival of the Cuban trash, which has given poor President James Carter "headaches."

Have the reporters of NIN not discovered that that country, "free and always open," according to what Carter claims and NIN quotes, now refuses to receive the "dissidents," the trash that dreamed about the American paradise, or even the former counterrevolutionary prisoners who served prison sentences after committing actions instigated by the imperialists themselves, even acting upon direct instructions from the CIA?

Has the periodical NIN done any research into the opinions of the millions of Chicanos, Puerto Ricans, Blacks or even Yugoslavs who "enjoy" discrimination in that "free, eternally open country"?

Was it not President Jimmy Carter himself who proclaimed that he would receive all the Cuban emigrants with open arms and who now talks about deporting them to other countries?

Throughout this entire period, there has been a key question that the American Government has not dared to refute and it is the fact that the Cuban authorities warned them on several occasions, through diplomatic channels and even publicly, in Fidel Castro's speech on 8 March, that they should cease the plan of encouraging illegal departures from the country and halt the campaign of giving hero's welcomes to those who highjacked boats to go to Miami.

Naturally, this was the "show" that President Jimmy Carter wanted.

The article in the Yugoslav periodical goes on to state the following: "The American President even tried to reach an agreement with Havana, and not only through the meeting of 20 countries in Costa Rica, but rather, proposing to regulate the arrival of the Cuban emigrants. Nevertheless, the Cuban authorities rejected all these proposals, describing them as an attempt to interfere in their internal affairs."

The editors of NIN reveal in their article an unfortunate lack of originality that leads them, not intentionally, to distort Cuba's position as expressed in an editorial in GRANMA on 19 May. We quote a portion of that editorial:

"We are willing to discuss and negotiate our problems and international relations with the United States, but not isolated and partial problems that are only of interest to them and their strategy against Cuba."

Cuba has left the door open for a discussion of a long agenda including not only the issue of the refugees, but also the criminal blockade that the imperialists maintain against Cuba, the imperialist policy of terror that stimulates counterrevolutionaries and the lumpen, the question of the Guantanamo Naval Base, established against the will of our people, cessation of espionage flights over Cuba, and other matters.

Do the editors of NIN that believe that this is a good agenda, reflecting the determination of a nation to defend its independence and sovereignty, principles which, as is well known, were also once maintained by the late President Josip Broz Tito?

What Cuba wanted was not to avoid the discussion, arguing that it represented "an attempt to meddle in its internal affairs." That phrase appears nowhere in the text published by GRANMA.

Cuba solemnly proposed the following: "The basic question is not the way or route by which Cuban antisocial elements travel to the United States. The fundamental question is to analyze and eliminate causes generating these elements and this Cuban emigration to that country."

Cuba does not avoid discussion. It does not duck it or appear fearful of such discussion. We know that we run great risks in building socialism only 90 miles from the American imperialists. But we are not willing to give up our just demands or lower our banners in order to receive crumbs from the imperialists in exchange.

Finally, in its article on Cuba, NIN says:

"Since the triumph of the revolution, Castro has several times allowed a mass departure of those not satisfied with the regime or those disliked by the regime."

We know that terminology. The news agencies and the so-called major press in the United States use and abuse it. It is also very similar to the terminology used by the Chinese agency XINHUA against the Cuban revolution.

It repeats the same slander that we have recently seen in AP or UPI cables. It hints and suggests that some have been "deported" from Cuba. All the antisocial elements left Cuba of their own free will, dear editors of NIN!

Perhaps a few, after suffering in flesh and blood the good treatment of the American guards, as at Port Chaffee, will begin to doubt whether they have reached the "free and open" country or a concentration camp. But Cuba does not make the laws in the United States, nor do our policemen give courses to the "defenders of human rights." It is Carter's guards who reserve that treatment for them.

The editors of the Yugoslav periodical apparently did not deem it fitting to devote a few lines to this aspect of the life of the Cuban "refugees."

Ethiopian False Figures

Let us now look at some of the inaccuracies concerning the Ethiopian refugees. According to NIN, "1.5 million Ethiopians, mostly Eritrean emigrants," have fled to Somalia.

We would recommend that NIN's reporters consult any school atlas, where they would see that Eritrea lies in the opposite direction, near the Red Sea, and very far from the Somali border.

It is true, and Ethiopian authorities have never denied it, that a certain number of citizens from nomadic tribes, many of them Somali in origin, went to that country during the war in 1977. In many cases, the people were forced to leave the places where they customarily keep their flocks so that Mogadishu could have more cannon fodder and thus continue its expansionist policies and its dreams of conquering the territory of Ogaden, an integral part of Ethiopia.

The editors of NIN should know that Paul Hartling, UN high commissioner on refugees, stated on 15 May of this year that he considered the figures given out by the government of Somalia to be highly exaggerated and that that international organization merely recognized that there were some 600,000 refugees.

In giving inflated refugee figures, the objectives of the Somali regime are obvious: On the one hand, a regime can seize a large portion of the aid provided by international organizations and thereby try to relieve domestic economic difficulties. Furthermore, it is a propaganda weapon that they are trying to use against socialist Ethiopia.

The Ethiopian chief of state, Mengistu Haile Mariam, recently warned of Somalia's attempts to deceive international public opinion concerning the problem of the "Ethiopian refugees." He also said that his government is carrying out "a large-scale program of rehabilitation" in the Ogaden region that will make it possible to improve living conditions in an area that suffered the consequences of the invasion of Somali troops.

A more balanced treatment of the situation created in the region would have prevented the writers of the NIN article from forgetting to make the slightest reference to the invasion launched by Somalia, despite the fact that at one time, the Yugoslav Government condemned that action by the Mogadishu regime.

Emigration: Open Issue

We do not claim to examine the article in NIN in detail. The issue remains open in all its complexity.

Cuba has not concealed or tried to cover up the fact that an insignificant segment of its population, made up of the dregs of society, is receptive to the siren songs of imperialism and prefers the alleged opulence which American society reserves for it to the heroic struggle to build socialism under the very nose of the United States. We know and have publicly stated in our press that even under the conditions of the revolution, underdevelopment engenders lumpen.

Our history also teaches us that the rigorous moral trials and austerity that require consistent efforts to free us from economic and political dependency on imperialism constitute too great a task for us to vacillate and be mediocre.

In essence, that is our case. Unlike NIN, we do not claim to set ourselves up as the judges of others, even though we know the socioeconomic causes that turn thousands of workers from countries whose economies cannot provide any means for survival into emigrants.

Furthermore, in those nations where one might actually talk of a "river of the desperate," as is now the case with El Salvador, what is being forged is a sea of people fighting for their independence and for a prosperous and dignified life.

In Cuba, that sea won victory 20 years ago and is ready to defend the future being built at any price. The "marches of the fighting people" are irrefutable proof that can be seen by all but those who, in analyzing the problems of the contemporary world, do not exercise self-management in their criteria.

11,464
CSO: 3010

MILITARY TRANSPORTATION, PLANNING, ORGANIZATION DISCUSSED

Havana VERDE OLIVO in Spanish 13 Jul 80 p 55

[Article by Amilcar Emery]

[Text] The second meeting for the exchange of experiences between chiefs of transportation units has just been held with positive results and broad prospects for better work. That activity fulfilled one of the principal objectives set by the Directorate of Military Transportation for the current year of instruction.

The event was held in a Central Army unit and was an incentive for it, on a par with the seriousness of the work done by its members in this important logistical specialty.

The opening session was attended by the chief of the General Staff for Rear Services of the FAR [Revolutionary Armed Forces], chief of the Directorate of Transportation and other chiefs and officers of the F.R.

The objectives set were more than fulfilled. The meeting permitted an exchange of valuable experiences relating to military administration, planning, organization and scheduling of motor pool activities and organization and work from the standpoint of control and movement. The last item is the basic organization of the tasks and missions these units carry out.

Other subjects discussed were of no less importance, such as the organization of combat and special training and the work of the general staff (staffing) and troops for the transition to complete combat readiness.

The meeting provided a suitable framework for the reporting of several advances experienced in the military transportation service during the present year.

Emphasis was also given to the in-depth study made of the organizational structure of that service, the raising of the combat and mobilization readiness of the units and the beginning of the first course for the training of engineer officers in transportation economics and planning, which will be given in the General Antonio Maceo Interservice School.

During this meeting, as a point of departure toward greater commitment, the principal tasks to be undertaken during the 1980-1981 training year were enumerated.

In his closing statement, the assistant minister of the FAR and chief of the Rear Services of the Revolutionary Armed Forces commended the participants and exhorted them to continue their efforts to improve this vital specialty of military transportation.

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CS : 3010

WESTERN ARMY FIELD ARTILLERY COMPETITION REPORTED

Havana VERDE OLIVO in Spanish 13 Jul 80 p 56

[Article by Jose Cazanan]

[Text] "In an ambience of frank camaraderie, we have seen competition between hundreds of comrades who with their efforts and enthusiasm have struggled arduously to demonstrate the skills they have acquired and to win for their respective units the highest honors of this Seventh Field Artillery Competition."

These words were spoken by Col Cesar Lara Rosello, member of the Party's Central Committee, as he summarized this competitive event. First places were taken by U/M [Military Unit] 3234, U/M 2721 and U/M 2100, respectively, in the following categories: special training, artillery firing and basic studies.

This competition, which was dedicated this year to the Second Party Congress, is of special significance because it was held within the framework of the activities scheduled for the commemoration of the 20th anniversary of the establishment of the Field Artillery. What is more, it is the culmination of the training of this branch of the Western Army with a view to its participation in the National Field Artillery Competition.

Military Unit 3234 was the site of the third day of competition which began on the 26th and ended on the artillery range and adjacent areas during the afternoon of 28 June. On that day, the following persons were present, among others: Maj Gen Sixto Batista Santana, chief of the Central Political Directorate of the FAR [Revolutionary Armed Forces] and Brig Gen Uliass Rosales del Toro, chief of the Western Army, both members of the party's Central Committee.

The Field Artillery was established on 2 November 1960 after a call by Commander-in-Chief Fidel Castro to the youth sector to join what today is the principal fire force branch of the ground troops.

This branch was established with adolescent students, sons of workers and peasants and proven combatants from the sierra and plains. Now, 20 years after its establishment, this branch is appreciably developed from a qualitative and quantitative standpoint and has a rich history of combat missions in defense of the socialist fatherland and in defense of other brother countries.

Every year the artillerymen strive to ensure that this competition, which was started in 1973, gains in brilliance, color and quality. This requires a great organizational and training effort by officers, sergeants, soldiers, elements and squads participating in it.

In the 10 competitive disciplines, participants from the various Western Army commands demonstrated skill and knowledge of the specialties by breaking previously established records.

The fight against the clock and the better application of precision result in the lowering of time standards and the impeccable execution of discipline, which bring about improved combat readiness, thus fulfilling one of the basic objectives of this competition.

All of the participants performed well, and many were outstanding; however, as always, the best of them prevailed and were rewarded by the following words of Col Cesar Lara Rosello:

"In particular we congratulate the members of Military Unit 3234 in the category of special training; Military Unit 2721 in the artillery firing category; and members of Military Unit 2100 in the basic studies category for the magnificent demonstrations they have put on today." He then added:

"We are pleased that every year this activity improves in quality and interest because it is an example of the perfecting of the instruction process we are implementing and definitively because such instruction results in the improvement of combat readiness."

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CSO: 3010

COMMUNIST PARTY SCHOOL AT FAR MAIN CLUB RESULTS

Havana VERDE OLIVO 13 Jul 80 p 57

[Article by Rafael Rodriguez]

[Text] Profound knowledge of Marxism-Leninism is a basic requirement for any officer of our Revolutionary Armed Forces [FAR] who is seeking better results in his daily work with troops, from both the military and political standpoints, and in his capacity as educator and leader.

Aware of the importance and need for raising the theoretical level of our officers, the FAR Main Club opened the Party Higher School in 1976 with a first course in General Orientation during which they were taught materials suitable for the fulfillment of the objectives proposed; i.e., to give them suitable instruments for the understanding and placing in practice of the Marxist-Leninist theory in all sectors of their area of competence.

That same year, two new courses were initiated: the Propaganda Course and the Fundamentals of Marxism Course. One year later, in 1977, a group of comrades entered the classrooms of the second course in General Orientation. The 3-year first course had not yet been completed; however, the experience acquired made it possible to start another cycle of similar studies. In 1979, the first graduation was held; and it was possible to see the fruits obtained and the successful results. The idea of the organization of the courses had been positive from all standpoints.

A few days ago, 37 comrades successfully completed the course and received diplomas in recognition of their having completed the studies of the second course in General Orientation, the fourth of the Party's FAR Main Club.

Graduation

Students and professors met in the large ceremonial hall of the school's headquarters. On that occasion, it was not for the purpose of holding classes or attending them but rather for summing up. There was no examination tension in the faces of the students; instead there was satisfaction. Each face bore witness to the happiness of duty fulfilled, of success attained in the assigned program.

Some family members of the graduates were also present, as were persons who would not miss the ceremony: Corvette Capt Nieves Milan, director of the school, for whom Lt Col Oscar Aleman (in the name of the students) and Frigate Capt Eladio Calvo, chief of the Propaganda and Agitation Directorate of the FAR Central Political Directorate, had words of recognition for her dedication and responsibility in the organization and development of the various finalized courses and those which are programmed.

At that moment, we repeat, everything was happiness, at times with greater intensity, for example, when students Lt Cola Humberto Gonzalez Chaviano and Oscar Aleman Perez and Maj Nestor Perez Lache received awards from the chairmen in recognition of their outstanding grades; or when, on behalf of the professors, awards were given to Lt Col Luis Ponte, Maj Guillermo Odelin and Capt Roberto Ibarra for their continuing efforts as educators.

Moments earlier, Frigate Capt Nieves Milan had presented the academic summary. In her speech, she reported on the excellent results obtained, as well as the experiences received which will be put into practice in upcoming courses. In particular she emphasized the support received from the professors, especially those from the Maximo Gonzalez Academy of the FAR and the Naval Academy, who, in their role as collaborators during the 3 years of classes, dedicated their free time to making available to the students their experiences and the basic elements of the subjects contained in the program of study.

Lt Col Oscar Aleman echoed the remarks made by the school's director with respect to the professors and, in the name of the students, thanked them for the effort exerted by each of them in attempting to give the students the knowledge which they now possess. Finally, he expressed the students' commitment to go more deeply every day into Marxist-Leninist theory and to put it into practice in their jobs.

The summary of activities was given by Frigate Capt Eladio Calvo who gave an overall explanation of the importance at present of knowledge and application of the teachings of Marxism-Leninism. Finally, he congratulated the students and professors for the results obtained and the good use made of the time devoted to study.

8143
CSO: 3010

CRUDE OIL PROCESSING CAPACITY, REVENUE TO INCREASE

Esmeraldas Capacity

Quito EL COMERCIO in Spanish 21 Apr 80 p A-1

[Text] The final expansion of the Esmeraldas refinery will raise its crude oil processing capacity to 90,000 barrels daily. That means an increase of about 80 percent over its present capacity. However, the CEPE [Ecuadorian State Petroleum Corporation] reports that initially that expansion will only make it possible to increase refining capacity to 70,000 barrels daily.

The initial stage will consist of increasing the plant's capacity by approximately 13,000 barrels per day and building a 1,440 barrels-per-day polymerization unit which will use as a raw material the gas now being used as fuel for the plant.

The second stage will be carried out over a longer period, following the construction of the new refinery for 75,000 barrels daily and other expansion programs aimed at satisfying domestic demand.

According to the planned work schedule, Universal Oil Products [UOP], the contracting company with which CEPE will sign a contract for optimizing the government's oil refining process, is going ahead with steps to provide CEPE with a plan for expanding the plant in both stages. According to the report, the study will also have to specify the new equipment required for the first stage, while considering the capacity for the second stage, so that the latter does not prove to be uneconomical or unprofitable for the entire process.

The first stage will be aimed primarily at increasing production of gasoline, whose use on a national scale is growing, whereas the second stage will be aimed at increasing kerosene and diesel fuel production.

Basic Engineering

Once the UOP report is published, it will be possible to begin the stage of contracting for the basic engineering, according to CEPE.

At the present time, reference terms are being defined and analyses are being made of the bids submitted for this stage, which may begin in about 2 months.

The contract conditions and sample contract are also being drawn up and will be sent to companies qualified to construct the plant. These companies will in turn have to submit their technical-financial bids.

It is estimated that the first stage may go into operation by the end of 1981.

CEPE is also studying the project for building a new 75,000-barrel capacity refinery, which will also be used for processing petrochemicals.

Four Billion Sucre Increase

Quito EL COMERCIO in Spanish 29 Apr 80 p A-1

[Text] According to CEPE sources, the country will collect 4.725 billion additional sucres as a result of the increased crude oil production from 210,000 to 220,000 barrels daily.

The increased petroleum production recently ordered by the government is now in effect. Thus Ecuador is currently receiving more than 13 million additional sucres per day, which is approximately 535,000.

Part of the total increase in the volume of petroleum sales will be used to cover this year's national budget deficit, officially estimated at 678.2 million sucres. The remainder will be used to finance the various projects of the National Development Plan.

Although crude oil exports to foreign markets in February dropped 9 percent in comparison to the same month in 1979, CEPE sales rose from 1.896 million barrels in February of last year to 2.250 million barrels in the same month of this year. According to the official report, the drop is due to the decline in Texaco exports, which fell from 1.103 million barrels to 490,558 barrels during that period.

In general, however, revenue collected for petroleum exports during the first quarter of this year doubled in comparison to the same period last year. Between January and March 1979, 7.451 million barrels were exported for a price of \$122.19 million, whereas 8.068 million barrels were exported during that quarter in 1980 for a total revenue of \$277.509 million, an increase of 55 percent in the aforementioned period.

Of total exports for the first quarter of this year, the share of petroleum sales amounted to 59 percent. During the same period in 1979, crude oil's share was barely 38 percent of sales to foreign markets.

A bottom limit of 214,000 barrels was placed on the rate of production in May of last year. However, technical conditions and structures did not permit that volume of extraction to be maintained. Only an average of 206,000 barrels daily was achieved from that date to the present time.

In the opinion of experts in this field, the present increase to 220,000 barrels can be maintained only if there is proper planning.

11,915

CSOI 1010

ECUADOR

BRIEFS

MILITARY VISIT TO MANABI--Guayaquil, 20 Apr--According to a Manabi press release, high Ecuadorean army chiefs led by the commanding general of the army, Gen Medardo Salazar, and Gen Jorge Ortiz and Gen Luis Pineiros of General Command Department IV and the chief of Military Zone II, respectively, yesterday unexpectedly visited the headquarters of the Lt Hugo Ortiz Cavalry Battalion in Portoviejo in Manabi Province. The high military commanders arrived in the Manabi capital on board three military planes. The unusual visit to the military unit did not go unnoticed, nor did it cause any comment. The officers arrived at the Portoviejo airport and were taken immediately to the Hugo Ortiz Battalion, where they spent about 45 minutes talking with the military unit's chiefs and officers. After the brief visit was over, the military commanders were immediately taken back to the airport to reboard the planes, which flew them back to their points of origin. [Text] [Quito EL COMERCIO in Spanish 21 Apr 80 p A-3] 11,915

C80: 1010

SIGNIFICANCE OF CUBAN REFUGEES NOTED

San Salvador EL MUNDO in Spanish 4 Jul 80 p 6

[Editorial: "The Case of the Cuban Refugees"]

[Text] In the opinion of international commentators, Fidel Castro was the big winner in the case of the thousands of Cubans who left the island, alleviating the stifling situation the West Indian socialist regime was undergoing.

What was initially celebrated and exploited by pro-Western news agencies turned into a very bad operation which "only served to hold President Carter, already disconcerted, up to public scorn, and this in the midst of an electoral campaign." It was no secret to anyone that among the Cuban citizenry could be found thousands of dissidents: individuals driven to despair by the forceful disciplinary measures and privations imposed by the socialist regime. "Nor is such a situation out of the ordinary," the international observers add, "since every government in the world has thousands of opponents."

"In 'democratic totalitarian' regimes," they point out, "the way to get rid of enemies, dissidents and nonconformists is to imprison them or expel them from the country. There is also a method used in nontotalitarian democratic governments, like the United States, in which many thousands of undesirables are deported every year. And who are the undesirables in North America? Those who enter that territory illegally, seeking work," the same observers assert.

Fidel Castro, designated throughout the world as prime minister, president of the Cuban Council of State and Ministers and president of the Federation of Nonaligned Countries, like all rulers, also had thousands of undesirable opponents who wanted to flee Cuba before becoming prisoners in the Cuban slave prisons, according to statements made by Huber Matos.

Unfortunately for anti-Castro elements, Cuba is not like other countries on the mainland where, just by crossing a frontier, one has already left

one's native soil. For Fidel Castro and his government, those tens of thousands of nonconformist citizens, held there by force, also posed a threat. They were potential subversives of his system.

According to observers, Castro had the solution for getting rid of that substantial number of enemies of his regime--namely, imprisonment or forced labor on sugarcane plantations. And he was pondering that dilemma when the Peruvian Embassy incident occurred, offering a solution to the serious problem confronting the ruthless and veteran dictator: to get rid of his opponents in the simplest way, thanks to the inestimable collaboration of the United States and other countries which blindly follow in the footsteps of the Americans. Castro, with his usual severity, took advantage of this opportunity to add as many common criminals as possible to the dissidents by telling them "either go or be imprisoned," according to what has been confirmed.

Now, according to information received, the great conflict facing the OAS and the United States is for the Cuban Government to accept the return of the criminals to the Cuban prisons, which are awaiting them "with open arms."

8568

CSO: 3010

U.S. INTERFERENCE IN NATION, LATIN AMERICA NOTED

Guatemala City **PRENSA LIBRE** in Spanish 3 Jul 80 p 10

[Commentary by Alvaro Contreras Vales in the column "Cactus": "Pro-consul for Guatemala"]

[Text] The rumor has been circulating in political, business and news media circles since May that, pressured by his leftist advisers, U.S. President Jimmy Carter was considering the possibility of replacing his ambassador to Guatemala, Frank Ortiz, with someone capable of assuming the role of proconsul and straightening out the situation prevailing in the country, in accordance with the "human rights operation."

It is obvious that Ortiz did not make a good viceroy and this is sufficient to justify the exchange. Moreover, he committed the tactical and political error of acting as Guatemala's friend and, in that manner, in contrast to the human rights activists, violated the rules of the game, which had already turned out to be profitable for those activists in Nicaragua and El Salvador.

Going from rumor to fact, an AP dispatch of 29 June says that Carter "is planning to replace the ambassador to Guatemala, Frank Ortiz, with his counterpart in Chile, George Landau, career diplomat and well-known as a human rights activist."

The exchange would allegedly be made because Landau's style is more "appropriate" in dealing with the task facing the diplomatic mission in Guatemala and because the idea of transferring Landau is in keeping with the policy of the U.S. Government of appointing activist ambassadors to Central American nations in a state of conflict.

The AP goes on to say that the news source "described Ambassador Ortiz as a capable professional who was not successful in his efforts to bring harmony to that Central American country and that it was therefore time to try something new."

New for whom? For what the Americans have already "tried" in Nicaragua and are proceeding to "try" in El Salvador is not new to anyone. The results are plain to see in both countries.

A day later (30 June), the UPI reported that "the State Department has said that the ambassador to Guatemala would be replaced" and went on to say that "groups of human rights activists accused him of being too closely identified with the Guatemalan Government."

According to the UPI, a State Department official "denied the charges that Ortiz was trying to strengthen Guatemala's moderate sectors, while Washington was thwarting those efforts giving the impression that the United States is favoring the opposition." The official neither denied nor confirmed Landau's appointment as a replacement for Ortiz.

In any case, the fact that Carter was arranging to replace Ambassador Ortiz with a human rights activist does not mean that Guatemala is obliged to accept Landau, since, according to international law, our country has the right to refuse to accredit him.

Any pressure or imposition to the contrary would be a violation of its dignity and sovereignty. In other words, it is indeed possible to ward off the threat of having Landau come to Guatemala as proconsul on the premise that Ortiz "was not successful in his efforts to achieve harmony" and that "this is the time to attempt something new."

Ever since the rumors about the replacement were first circulated, public opinion has reacted against those interventionist threats, since we all know of what such an "attempt" would consist and in what manner Guatemala would be endowed with the "harmony" which already exists in Nicaragua and El Salvador with the orchestral arrangements of Pazullo, White, Vaky and company.

8568

CSO: 3010

NICARAGUA

FPR ISSUES COMMUNIQUE ON JOINT ACTION

Managua BARRICADA in Spanish 24 Jul 80 p 3

[Text] We, representing the following political parties: the PPSC [Popular Social Christian Party], the PLI [Independent Liberal Party], the PSN [Nicaraguan Socialist Party] and the FSLN [Sandinist National Liberation Front], conscious of the enormous tasks the Revolution must carry out to fulfill the needs of our people in the domains of the economy, education, public health, and so forth,

Aware that this must be accomplished through the coordinated efforts of all and of each of the organizations that have demonstrated their solidarity with our process, join, in the name of our political organizations, in the commitment to work in support of the undertakings contained in the following platform planks of the FPR [Patriotic Front of the Revolution], maintaining our individual identities as parties, but putting the interest of the Revolution, which is the interest of the Nation, above all other interests of any type.

[Signed] All For the Revolution:

The FSLN

The PPSC

The PLI

The PSN

Platform Objectives and Planks of the FPR

1. Aims and Objectives of the FPR:

a) Support the democratic and patriotic policy being carried out by the Reconstruction Government.

b) Defend, consolidate and foster the Nicaraguan Revolution to ensure the carrying out of the socioeconomic reforms having their bases in the popular democratic will and in the national liberation.

2. Platform Planks:

Some of the planks indicated herein have already been carried out by our Revolutionary Government and others are in the process of being implemented, but are set forth with the object of emphasizing our positions of agreement with them.

a) Democratization

a.1) We undertake through our joint efforts to achieve fully the basic human rights: to jobs, to housing, to education, to health care, to a dignified standard of living and to social progress. We support the free expression and dissemination of thought, freedom of worship, freedom of mobilization, freedom of political association and of proselytism.

a.2) Contribute to the total eradication of bureaucracy in public administration and of the other perversions inherited from the previous regime. Guarantee the job stability of those state employees who distinguish themselves by their honesty and efficiency.

a.3) Channel the Revolution in a positive direction toward the democratization of Nicaragua to the benefit of the vast majorities through the revolutionary democratic process, with continued political pluralism.

a.4) We encourage and support the unity of the organizations of the masses and the unity of the political parties and movements around the carrying out of the National Reconstruction Government's tasks.

a.5) We recognize the vanguard role the FSLN fulfills in the revolutionary process, as well as the participation in this process by all the nation's patriotic and democratic sectors.

a.6) We support the strengthening of the Sandinist Popular Army, the Sandinist Police, the state security bodies and the Sandinist Popular Militias as the Revolutionary state institutions for the defense of the Nation and of the Revolution against the ambushes laid by enemies at home and abroad.

b) Economic Domain:

b.1) We accept as our own the Economic Emergency and Reactivation Plan for the benefit of the population, and undertake to mobilize all our organizations and have them take part in the carrying out of its tasks and the achievement of the objectives it sets forth.

b.2) We deem it necessary that the decisive or essential instrumentalities for the operation of the nation's economic system be subject to control by the state, which will promote a mixed economy and stimulate private enterprise as long as the latter fulfills its social function within the objectives of the Revolution.

b.3) We support the formulation of a national economic development plan. This plan must include among other things:

b.3.1) A tax policy based on satisfying the needs of Nicaragua, under which every citizen pays taxes in accordance with his or her economic ability to do so.

b.3.2) A farming and livestock development policy paralleled by a total democratic, antioligarchic, anti-imperialist agrarian reform to:

b.3.2.1) Eradicate the remaining feudal and oligarchic vestiges and at the same time stimulate the independent development of our economy.

b.3.2.2) Stimulate the production of food, with a view to eliminating the product shortages and the hunger that are scourging the rural inhabitants and the population as a whole.

b.3.2.3) Resolve the unemployment crisis that is cudgeling the country.

b.3.2.4) Develop new farming production relationships to benefit Nicaraguan farmers economically, socially, culturally and politically.

b.3.2.5) Augment the real wages and social benefits of the farm workers and of the population as a whole, to the benefit of national trade and therefore of a sound development of our productive forces.

b.3.2.6) Promote national economic growth with the object of fostering the social development of our people and Nicaragua's progress in all domains.

b.3.2.7) Stimulate and back small and medium farm producers.

b.3.3) An industrial policy that will enable adequate economic growth as a means of enhancing production and an equitable distribution of wealth. Priority must be given to industries that use and process domestic raw materials and that advance the use of domestic labor.

b.3.4) Recovery and nationalization of the determinant natural resources in the social and economic development of the country, and the carrying out of a rational exploitation that benefits the nation.

b.3.5) Maintain relations at all levels with all the countries of the world that can sustain with us an exchange of sovereign respect and of mutual gains. Develop and strengthen diplomatic, commercial, cultural, scientific and technical relations with the Latin American countries, the countries that form a part of the nonaligned nations movement, and the countries of the socialist community, with the purpose of buying and selling abroad at the most favorable prices and conditions for our national economy.

b.3.6) Promotion of solidary struggle by the state, the government and the people of Nicaragua for the reactivation and transformation of the Central American Common Market as an instrument for the economic development of the peoples and countries of Central America.

b.3.7) Stimulate economic development in the following fields:

b.3.7.1) National production for export.

b.3.7.2) Diversified agriculture as part of the development plan of the agrarian reform that is to be carried out.

b.3.7.3) National trade for the development of the country's productive forces.

b.3.7.4) Allocation of people's funds in the Banca Nacional for productive investment programs in agriculture and national industry.

b.3.7.5) Establishment and maintenance of a strict policy of economic austerity at all levels.

c) Social Domain

The necessary steps must be taken to bring about real changes in the social domain, above all in those respects that are the most significant for our people, such as:

c.1) Education:

We deem it essential that this have as its fundamental object the development of the whole person, including his or her spiritual, intellectual, physical and social identities. We back and fully support the initiative of the National Literacy Crusade and the formulation of a national education plan, based on realistic elements that are in harmony with the technical and scientific advancements needed by the country.

c.2) Health Care:

We support the national health plan, which includes all Nicaraguans, to whom the state, regardless of their economic or social positions, provides equal access to and care by medical aid centers.

c.3) Housing:

We advocate a housing policy that carries out the social function of urban land, that eliminates poverty, and that is based on man as a social entity and not strictly based on considerations of economy. We advocate also a rural housing policy that embodies the foregoing principles and that forms part of the agrarian reform concept.

c.4) Labor:

We support a labor policy that opens to the workers full, healthy, useful and equitably remunerative employment, and that protects the right to form and join associations, as well as the activities of the members and leaders of such associations. We support the promulgation of new labor laws demanded by the organizations of the masses and adapted to the current realities of the country.

The social development of the Nicaraguan people must at the same time be advanced without interruption.

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CSO: 3010

'LA PRENSA' POSITIONS CRITICIZED, DEFENDED

Editorial Criticized

Managua BARRICADA in Spanish 2 Jul 80 p 3

[Article by Alberto Lanuza M.: "LA PRENSA: Holy Ideology"]

[Text] History teaches us that economic and social changes have always been spurred by classes and groups that are interested in a new economic and social order. These groups have always encountered resistance and problems from those who wish to maintain the status quo, are immersed in existing social conventions and derive countless benefits as well as their thought patterns from prevailing customs and institutions. We should thus point out what people in Nicaragua today make up the social sectors that benefit from maintaining the established order. In the first place we have the totally displaced Somoza clique that has no chance to unfurl any sort of a banner that would lend it prestige. Secondly, there are the groups connected with large-scale banking capital, which have been relatively displaced today. And thirdly we have a number of social groups that battled Somoza during the last few years of his reign for control of certain areas of economic influence.

Nevertheless, now that the Somoza dictatorship is gone and the Sandinist People's Revolution is moving steadily forward toward economic and social changes to benefit the masses, the ideological element has arisen to shield all the groups that benefited in one way or another from the former order. The ideological sphere is a stronghold in which the defenders of the previous regime know how to operate skillfully and with the assurance that they can do a great deal of harm, because we all know that the ideas, the values and all of the vestiges of an economic and social system cannot be transformed overnight. It is within this framework that we must seek out the reasons for LA PRENSA's "crisis," and this hypothesis is confirmed by the leanings and "ideological" bent of the new version of this paper.

Although we realize that we have to study LA PRENSA's entire conservative, ideological background in an in-depth manner with appropriate

analytical methods, we will make a small contribution to this with the following analysis of the editorial that appeared in its Thursday, 19 June edition and that was entitled: "Saint Socialism, Saint Capitalism?"

Obviously referring to the Nicaraguan people and to the Sandinist People's Revolution, the editorial stresses that all peoples and all revolutions "that seek to chart their own course must very objectively examine available alternative models."

This assertion is clearly designed to confuse the reader by making him think that the Sandinist People's Revolution is not following its own path, that it is copying existing models. The facts prove the opposite.

First of all, the sole explanation for the very existence of the revolution is that our leadership was flexible enough to analyze the various social, economic and political developments on the national and international level. At present, with the process in full-fledged development, the search for our own course is embodied domestically in the search for national unity and internationally in the establishment of commercial and diplomatic relations with countries of varying political leanings throughout the world.

The same editorial tries to argue that the leaders of our revolution are working with totally dogmatic concepts, asserting that "there is, however, another mistake, which is even more serious than the previous one because it further impedes a calm analysis, and this is the tendency to think about models in religious terms."

The editorial's argument has no foundation in what is happening in our country and is based on the well-known, longstanding anti-communist principle of equating the theories of liberation with dogmatic religious principles.

The editorial then goes to the absurd extreme of casting history aside and telling the reader that there are good and bad forms of capitalism and of socialism. Such assertions are the reflection of a clear-cut conservative philosophy that tries to make people forget that just as the struggle for progress in the 17th and 18th centuries was equivalent to the struggle against the obsolete institutions of feudalism, the current efforts to create the necessary conditions for economic development are in constant conflict with the old economic and political order and with capitalism and imperialism. Hence, the world movement for economic progress is always interpreted among the most reactionary sectors in the United States and other regions of the capitalist world as a serious threat to the social order and to its international power, as a revolutionary movement that must be halted and, if possible, destroyed, in order to preserve the capitalist system.

The campaign of confusion that a number of the mass media, LA PRENSA in particular, are conducting is merely a facet of the ideological struggle that we have to live through in a society that is in the midst of changes. The important fact that must be made clear to our people is that not all of the mass media are on the side of the revolution and its interests, even though they say that they are.

Reply to BARRICADA

Managua LA PRENSA in Spanish 11 Jul 80 p 2

[Article by Humberto Belli P.: "No One Has a Monopoly on Good Intentions" (Open Letter to Mr Lanuza)]

[Text] Dear Alberto,

I do not know you well, but from what mutual friends have told me and based on my intuitive impressions, I consider you one of the most constructive individuals currently working in favor of the revolutionary process. I was therefore especially pained to read your article entitled "LA PRENSA: Holy Ideology." I have no misgivings whatsoever about your criticisms of ideas expressed in LA PRENSA editorials. Like all writings, it could well contain inaccuracies and even serious errors. What was really unfortunate about your article was that you attributed, like so many others, bad intentions to LA PRENSA's editorial comments. You referred to the passage calling for development models to be studied objectively and you saw in it "a clear-cut intention to confuse the reader."

Can't Nicaraguans disagree without being accused of perverse or malicious intentions? I think that you could have taken issue with what was said without having to judge intentions.

You share another approach that is common to the systematic detractors of this paper: arbitrarily and simplistically dividing Nicaraguans into two large groups, those who in one way or another want to preserve the traditional order, and those who desire a new economic and social order. You place LA PRENSA in the first group. By implication (which you yourself have noted), the obvious purpose of what LA PRENSA writes, editorializes or criticizes is to preserve privileges. Thus, those whom you criticize cannot possibly offer honest views; such a possibility is by definition ruled out. It would seem as if the people writing for LA PRENSA have no convictions, no good intentions for the country or its inhabitants, just the selfish desire to keep their houses, their cars and their privileges, and that when they say something, it is not because that is what they really think but because they have devised, in Machiavellian fashion, a way of sowing the seeds of confusion in readers' minds.

It is easy to predict the consequences of this approach to things. In the first place, a high-minded discussion of ideas, countering argument with argument, is shunted aside. Everything is reduced to hurling denigratory moral judgments at others. The transition to hatred can then be readily made, because if my opponent is deliberately trying to do harm and is not just mistaken, this prompts a desire to destroy him.

There are two reasons why it is very easy to venture judgments about people's intentions. One is that because intentions cannot be seen, it is hard to refute the charges. If it were said of someone that his writings are motivated by a desire for power, by resentment or by any similar reason, it could always be possible that this was the case. Motivations are the hardest things to judge in a human being. That is why it is better to refrain from judging others, especially when there is no intention of doing anyone any good. Another reason is that if we dig deep enough, no one is without faults, selfish intentions and contradictions. (As a Christian, I believe that if we were to be judged on our merits, we would all wind up condemned.)

Furthermore, we must clearly realize that no one has a monopoly on good intentions, or bad intentions. It would be just as unfair to see Marxists as socially envious individuals seeking to supplant the bourgeoisie and sell out their country to Moscow as it would be to see Social Democrats, Social Christians or non-Marxists as anxious to preserve class privileges and to play along with the Gringos.

Alberto: There could be men who do not think like you and who love Nicaragua as much as you do. The fact that selfish interests are so often behind what we do should not cause us to generalize from a pedestal of purity; it should, instead, make us more humble and induce us to discuss ideas, not intentions.

Affectionately yours,

Humberto Belli P.

Chamorro Defends Paper's Roles

Managua LA PRENSA in Spanish 11 Jul 80 p 2

[Article by Pedro J. Chamorro B.: "LA PRENSA Will Always Be LA PRENSA, Gentlemen"]

[Text] There are those who have begun in earnest to chant the hackneyed ditty that "LA PRENSA has ceased to be LA PRENSA and the real LA PRENSA is to be found in a new newspaper." They are obviously trying to discredit the paper and detract from its popularity, because they know for certain that, despite the campaign, it continues to be the Nicaraguan people's favorite newspaper.

These gentlemen do not realize that there are many factors at work in connection with the existence and circulation of a paper like LA PRENSA. They think that because part of its personnel decided to form their own enterprise, LA PRENSA has lost its vigor, its prestige, its high quality and its relationship with readers.

Many factors have played a role in LA PRENSA's new success. One of the most important, perhaps the definitive one, was the determination and ability of 50 members of the old staff who remained loyal to the company and decided to remain here to work and train others, thus making a decisive contribution to salvaging one of the few bastions of independent journalism in Nicaragua.

Most of the departments comprising the company rested on the shoulders of this highly qualified staff:

Payo Bonilla has worked for LA PRENSA for more than 30 years and has in-depth knowledge about the distribution and sale of the paper. He is the circulation manager.

Denis Mixter is the manager of LA PRENSA's most sophisticated department, phototypesetting. He is an expert in electronic printing, headlining and "Compugraphic" typesetting systems.

Horacio Ruiz was the assistant editor in chief and in charge of the international page (the famed third page). With 34 years in the company, he has risen from typesetter to a very important post. He has also trained many journalists.

Octavio Escobar is our financial manager, and on his shoulders rests the paper's financial solidity, which is essential for traditional job security and to the paper's necessary political independence. Octavio began working for LA PRENSA more than 25 years ago. His first job was as a newspaper boy; today he is the assistant general manager.

In the Advertising Department we have Johnny Prado, who has vast experience in the field of printed advertising. He used to be the head of the department; he has now been promoted to sales manager.

And who knows the details of producing a paper better than Guillermo Ortega? Guillermo was another of the department heads who remained at LA PRENSA. He has more than 30 years of experience in the printing field, 28 of which he has worked for LA PRENSA. He is obviously an expert in the organization and operation of everything having to do with a newspaper.

Over at the rotary press, another very important area of LA PRENSA's working team, we have Gustavo Zamora, better known as "the tiger" for his mechanical skills; he is one of the two shift bosses. This man knows LA PRENSA's "Gosa Urbanito" rotary press like the back of his hand and he will be largely responsible for refurbishing it.

And who can question the ability of our photographers, Ivan Cisneros and Cruz Flores? Cruz has won several international awards for his unsurpassed action photos. Cisneros is the man who knows about technique and has been responsible for training three new photographers who have begun taking snapshots.

And in administrative management, who can doubt the ability of Jaime Chamorro? In addition to being a great manager, he was able to write anonymously the much-talked-about articles that shook the dictatorship during the final days: "The Spain Package," "The Montelimar Airport," "The INSS [National Social Security Institute] Scandal," "The CUPALAR Project," "Villa de Operadores de Tiscuco" and others.

And in our brain trust, who could doubt the ability of Pablo Antonio Cundra, a world famous poet and writer who shared the post of director for many, many years with Pedro J. Chamorro C., suffering through all of the torments of the dictatorship?

It would take too long to mention all of the people who with their labor, their ability, their loyalty and their love for freedom make possible each issue of LA PRENSA, like the one that you are now reading. These people, together with all of our new personnel, who have spotless backgrounds and great ability and who have been able to assume their proper roles in this new era for LA PRENSA, do not deserve any scorn; they do not even remotely deserve the string of destructive adjectives that are heaped every day on those of us who work for LA PRENSA, a paper that is and will continue to be (though it might bother some people) the paper of Nicaraguans.

LA PRENSA will always be LA PRENSA as long as the people continue to trust its honesty and its policies, as long as those who are suffering seek in it the consolation that their voices will be heard, as long as those who experience the news share it with us in that brotherly relationship that has grown up over the years.

As long as our readers, our main allies, can always read in its pages: national and international news, incisive humor, lead articles, business information (which is also necessary) and the reports that have an impact on their daily lives.

It will continue to be LA PRENSA as long as it continues its indomitable search for truth and justice, as long as it maintains its

journalistic independence, as long as it finds room for the concerns, thoughts, suggestions, criticisms and other contributions of its readers, who enrich the paper, make it their own and make it a pluralist paper. Ultimately, they have the floor because they determine what they want to hear and read in the daily plebiscite that every mass medium is subjected to.

LA PRENSA will continue to be LA PRENSA precisely because it is LA PRENSA, because it is an independent, free and pluralist paper in keeping with what it has always been in the past, with the traditional policy ingrained in it by its editor, the martyr Pedro Joaquin Chamorro Cardenal.

It will continue to be LA PRENSA because this prestige, this relationship with its readers has been forged over the years and because this fundamental contribution to our pluralist and genuinely Nicaraguan revolution cannot be effaced in one stroke.

LA PRENSA will continue to be LA PRENSA as long as there are men who believe in its mystique, have faith in its mission and are devoted to its emancipating and constructive efforts, and as long as there is an entire nation that reads it.

We are capable of making mistakes and we acknowledge them, because he who does not err is not human. However, never assume that we are acting in bad faith; never attack ideas with insults, but rather with other, better ideas, and never commit injustices in the name of justice itself.

8743

CHO: 3010

NATURE OF IMPERIALISM DISCUSSED IN PRESS

'LA PRENSA' Article Criticized

Managua EL NUEVO DIARIO in Spanish 27 Jun 80 p 2

[Article by Carlos Mendoza: "On 'Anti-Imperialism'"]

[Text] In the Saturday, 14 June issue of LA PRENSA I read an article signed by Pedro J. Chamorro B. and entitled "One-Way Anti-Imperialism." I was not surprised at who wrote it because as a beloved member of the IAPA, he could not be expected to write otherwise, inasmuch as he has to fulfill his commitment to manipulate news for the benefit of American imperialism.

If the article was written in all honesty, we must note that Mr Chamorro is totally unaware of what imperialism is and of the methods that it uses to maintain its structures of domination.

In this article he gives a rundown of the military interventions of American imperialism and Soviet "imperialism," reaching the conclusion that from 1950 to date there has been a tie as far as imperialist military interventions are concerned.

His final conclusion: We must denounce both imperialist states in order to demonstrate that we are really independent politically and unquestionably neutral. But we already know what lies behind these self-styled neutral stands.

In this case, neutrality means support for American imperialism.

I should clarify to Mr Chamorro that imperialism is defined as "the policy of a state designed to make certain populations or certain states dependent on it" (one of the definitions in the Pequeno Larousse Dictionary).

This is exactly what the United States is doing in a great many countries throughout the world.

Imperialism resorts to military intervention as a last recourse when the structures of domination that it has imposed are in danger.

There are two kinds of military intervention:

- 1) The regular military forces of the imperialist army or of one or more accomplice governments under its power;
- 2) Nonregular military forces disguised as technical advisers, mercenaries and instructors, naturally with appropriate logistical support from bases in neighboring countries.

Imperialism utilizes the second kind of intervention the most because it is least noticed by most people.

But before resorting, when necessary, to either of the two kinds of intervention, it begins an orchestrated campaign of disinformation echoed by the members of the IAPA, in order to prepare world opinion and justify the intervention.

Mr Chamorro seems to have forgotten that in 1954 the constitutional president of Guatemala, Jacobo Arbenz, was toppled by the second type of intervention when he tried to effect changes that impaired imperialist interests, and that the task ordered by imperialism was carried out with the complicity of Carlos Castillo Armas and the dictatorial governments of Nicaragua, El Salvador and Honduras. Was this or was this not military intervention?

And what about Chile in 1973? Wasn't the Popular Unity government overthrown by direct intervention through the CIA and U.S. transnational corporations in complicity with Chilean fascism?

And what about El Salvador in 1980? Isn't American imperialism intervening by providing advisers, armed helicopters and weapons of every caliber to repress the Salvadoran people's desire for freedom?

Aren't Argentina, Chile, Uruguay, Paraguay and Haiti nations in which the second kind of intervention exists? We are all familiar with the terrible repression that exists in those countries, where torture, crime and murder are part of the daily duties of native military and paramilitary forces, backed and advised by agents of American imperialism. Nevertheless, Mr Chamorro does not condemn all this and pretends to overlook it.

And what about Nicaragua? Wasn't our country subject to political, economic and military intervention until 19 July 1979? Is Mr Chamorro that naive that he cannot comprehend this?

When American imperialism is attacked, those who spring to its defense generally pose this question: What about Russian imperialism? What about the invasions of Hungary, Czechoslovakia and Afghanistan? And they always come to the same conclusion as Mr Chamorro: that the two superpowers are imperialist. They thus create confusion among people who do not have a clear idea of imperialism and its methods. Imperialism has many underhanded defenders because they cannot defend it openly with logic and clarity, inasmuch as they know that it is indefensible. They therefore resort to a different tactic, employ certain fallacies and venture the conclusion that there is two-way imperialism, as Mr Chamorro calls it.

In the attempt to confuse, he compares Vietnam with Afghanistan. What a fallacy in the bid to prove imperialist equality!

In Afghanistan, the Soviet Union is making common cause with the people and supporting them militarily against the intervention of American imperialism, which is utilizing the second type of military intervention through the CIA and which in this case has the neighboring state of Pakistan as an accomplice. The purpose of this support is to prevent a recurrence of what happened in Chile, Guatemala and the Dominican Republic, where the people's gains were ferociously crushed.

We also know that imperialist intervention attempts to destabilize grass roots revolutions, such as in Cuba, Nicaragua, on the African continent, in the Caribbean and anywhere in the world that its interests are threatened.

In Vietnam, the imperialist army of the United States fought against the people (intervention type one) and defended its interests and those of its accomplices, the native bourgeoisie.

In Vietnam, the American imperialism's army of intervention was chased out by dint of bullets after the long, bloody struggle that we are all familiar with.

The people were given backing in Hungary and Czechoslovakia, and once the imperialist and fascist agents who infiltrated were defeated, the Soviet Army withdrew in peace with a thankful sendoff by both peoples, not with bullets, as happened to the American Army in Vietnam and Nicaragua.

If the Soviet Army had opposed the interests of the people, I am certain that it would have also been chased out by dint of bullets, because when a people is determined to fight for its freedom, every army, however powerful, will encounter fierce resistance until it is ultimately defeated.

The Soviet Union has always had friendly relations with Czechoslovakia and Hungary. The same cannot be said about the United States and Vietnam.

Imperialism is a result of highly developed capitalism, and the seed of imperialism is to be found only in such countries.

By principle, by reason of its very existence, a socialist country cannot be imperialist, but there can be international solidarity among peoples, which a person with a capitalist mentality cannot understand. Such a person cannot understand how one country can aid another with no interests at stake, and this is what Mr Chamorro cannot fathom.

In conclusion, I want to assert that if Sandino were alive, he would most likely be fighting along with the Afghan people and the Soviet Army, but I am certain that Sandino's spirit is in Afghanistan, El Salvador, Guatemala and everywhere that peoples are struggling for their definitive liberation, because Sandino was a proletarian internationalist and, above all, anti-imperialist.

Position Reaffirmed

Managua LA PRENSA in Spanish 12 Jul 80 p 2

[Article by Humberto Belli P.: "Imperialism: Theories and Facts"]

[Text] A few days ago (LA PRENSA, 21 June) I published an article in which I stated that the United States is not the only imperialist country; the USSR and China are too. And I am talking about the plain and simple meaning of the word "imperialism": the imposition by force of one state's interests on another.

In order to illustrate this fact, I cited in my article a series of armed interventions that both the USSR and China have carried out against other nations.

I also called attention to the specific detail that the Soviet interventions have been conducted against worker uprisings and to bring down communist regimes that were adopting independent lines, which rules out the trite pretext that they were doing so at the request of the masses in those countries to defend themselves against outside aggression.

A number of Nicaraguan journalists have, nevertheless, not been able to grasp these facts, which a great many prestigious Marxists have openly acknowledged without being any the less Marxist and revolutionary for having done so.

Their reaction has been to deny that the USSR has been imperialistic. They have not, however, resorted to the facts, in other words, trying to convince us, for example, that in the cases of Czechoslovakia and Hungary the USSR acted to defend a weak and friendly nation from foreign aggression.

Their argument has been that since Lenin said that imperialism originates in capitalism and in private property, the USSR cannot be imperialistic because it neither is capitalistic nor has private property. In other words, what happened could not have happened because it runs counter to theory. Thus, in the 27 June issue of EL NUEVO DIARIO, Carlos Mendoza says that "by principle a socialist country cannot be imperialist," while in BARRICADA Lombardo Aburto asks us: "How are we to believe in 'socialist imperialism' if the factors that gave rise to it have vanished forever?" It did not occur to him that perhaps other factors give rise to it.

According to social sciences, theory depends on facts, not the other way around. When there is a discrepancy between the two, it is the theory, not the facts, that has to be revised. The aforementioned journalists would seem to be proceeding in the opposite way: the facts are what theory says they ought to be. In other words, we no longer have to prove anything.

We know in advance what the answer is going to be. Look it up in the handbook and there it is. Science is dead! The USSR cannot be imperialist (by principle!) because theory says so.

I remember once when I was a teenager that a house that had been built shortly before burned down near my own home. Some days later, my father mentioned this to a friend who was familiar with the house. He told my father: "That's impossible...That kind of house cannot catch fire!" My father kept telling him that it did, but his stubborn reply always was: "The specifications say that that kind of house cannot catch fire." My father finally told him: "What else can I say? The house burned down."

The tyranny of theories is more common in life than one would think.

We should also be wary of the trap of excessive theorizing. The fact that large countries forcibly impose their will on others should be repugnant to our consciences. It does not matter how we describe it. Call it imperialism, expansionism or whatever, the fact that it happens is loathsome. We cannot conceal or blur reality with definitions.

In the case at hand (American, Soviet, etc. imperialism), the concern of all who honestly seek an end to the oppression of man by man and nation by nation should be to determine the causes, the basic roots of this disgrace to mankind.

Lenin theorized and reached the conclusion that the root of the phenomenon was to be found in capitalism. If, once capitalism has been uprooted from certain nations, they continue to act in an imperialistic manner (in other words, by imposing their will forcibly on other, weaker nations), then we should not be concerned about what this is called or whether it is imperialism as Lenin defined it. What should concern us is to find out why such actions continue to happen and what it was that Lenin did not take into account in his analysis. I think that this is an ethical and a scientific obligation. Ethical, because we have a standing duty to seek the truth, not to defend a theory. Scientific, because science does not advance (rather, it becomes corrupted) if we are not willing to continually reassess the postulates of our theories in light of what actually happens. In an upcoming article I will discuss what I think that Lenin did not take into account in his analysis, something that Lombardo Aburto considers laughable subjectivism: men and their weaknesses.

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NICARAGUA

ROLE OF FREEDOM OF EXPRESSION DISCUSSED

Managua EL NUEVO DIARIO in Spanish 26 Jun 80 p 2

[Article by Francisco Hernandez Segura: "Freedom of Expression or Freedom To Slander?"]

[Text] We are in total agreement with LA PRENSA. He who sows winds reaps storms! That is what LA PRENSA said in an editorial last Tuesday, 24 June, in the attempt to erect a shield to insulate itself from the wild ideas and intrigues that it has sown against the Sandinist People's Revolution.

The LA PRENSA editorial writer, with a markedly affected air, says: "Let us be careful about how we use language." This is a fine suggestion that the paper in question should heed, because as far as language is concerned, "La Tula Cuecho" from Carlos Mejia Godoy's song seems to have been the one who taught them journalism.

No aware person in our country is capable of asserting that our Sandinist People's Revolution is furnishing weapons to the grass roots forces in El Salvador that are struggling for the liberation of their people. However, on 22 June LA PRENSA, very much like Tula Cuecho, highlighted this slanderous assertion as distributed by the trans-national AFP, which has been systematically propagating the slanderous "news reports" of a number of "Tula Cuecho" correspondents to the effect that Nicaragua is providing "arms to Salvadoran guerrillas."

If we view things from LA PRENSA's perspective, in other words, with its great concern for highlighting any sort of slander against our revolution, it should worry us that this paper, the spokesman of the enemies of the social and political forces whose unity made possible the elimination of a 46-year old regime, is now pretending to be a victim and pointing the finger at those who have stood up to counter it by denouncing actions that are designed solely to lay the groundwork for outside aggression against our country.

LA PRENSA's editorial writer states without the slightest bashfulness: "Freedom of expression is being put under increasingly hostile pressures in Nicaragua."

The lengthy period that our people suffered through as victims of colonialism, which was aggravated by more than a century of imperialist pressures, has accustomed a number of intellectuals and would-be intellectuals to accepting as real an entire false scale of values. For this reason, doubtless, the LA PRENSA editorial writer has absolutely nothing against describing as "freedom of expression" the deranged mental condition whereby slander is taken to be the truth or what amounts to the same thing, whereby freedom of expression is confused with freedom to slander, to slander with impunity, to describe as threats to freedom of expression reactions against Nicaragua's enemies, who want to halt the advances of our Sandinist People's Revolution.

You'll see, friend Sancho!

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NICARAGUA

EVENTS IN EL SALVADOR SEEN AS REMINISCENT OF LIBERATION FIGHT

Managua EL NUEVO DIARIO in Spanish 2 Jul 80 p 2

[Editorial: "El Salvador and Nicaragua"]

[Text] El Salvador today brings back the gloomy memories of Nicaragua yesterday.

This painful coincidence draws us even closer to that suffering nation and, furthermore, just a few days prior to the first anniversary of our revolution's triumph, it enables us to appraise the heroic accomplishment of our people in all its historic and human significance.

It is worthwhile recalling that the Sandinist Revolution triumphed over the bloodiest dynastic dictatorship in the Americas. We are saying that it is worthwhile recalling this fact because, although it seems incredible, many people have apparently forgotten it and are even trying to belittle or downplay it.

We must, therefore, reflect very soberly on all this, out of respect for our heroes and martyrs and out of respect for the anguished times that our Salvadoran brothers are experiencing.

Take a look in El Salvador at the bloodthirsty reactionary sectors conducting their absurd and disgusting political scheming, and call to mind how the reactionaries here wanted to put that same political scheming into practice.

Together with this hellish vision, remember the people fleeing from neighborhood to neighborhood, the incessant bombing, the bodies in the streets, the despair on the faces of women and children, the tears and the blood.

In light of this historical reality, what really honest and aware person could not think highly of the way in which our revolutionary process is being guided, with its categorical rejection of anything that carries the intolerable stench of the past?

What wholesome-spirited person does not hear the clamoring for the victory of 19 July every day?

What person, having himself experienced the horrors of repression in Nicaragua, does not now feel solidarity with the uprising of the Salvadoran people, even to the point of identifying with the uprising?

All peoples are entitled to freedom, but to real and total freedom, not the "freedom" that the political schemers who have always lived, are living and will live behind the people's backs are negotiating and want to negotiate in El Salvador and Nicaragua. We are talking about the freedom of the masses, because that is real freedom.

We are voicing these reflections just a few days before commemorating the first anniversary of our revolutionary triumph. One fills us with joy and the other with pain and solidarity. One helps us to appreciate once again what we have accomplished, and the other leaves us with the feeling that there ought to be a continual uprising in man until all peoples are free.

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ECUMENICAL CENTER DESCRIBES ITS ROLE IN REVOLUTION

Managua HARRICADA in Spanish 24 Jul 80 p 5

[Text] Message from the Antonio Valdivieso Ecumenical Center

The Antonio Valdivieso Ecumenical Center, on the occasion of the first anniversary of the Sandinist Revolution, addresses to the Nicaraguan people, to its vanguard the FSLN [Sandinist National Liberation Front], and to the National Reconstruction Government a message of joy. It is a time of gladness, of festivity and of hope. Our joy is but that of our ongoing advance through history.

Christian concurrence with the Nicaraguan revolutionary process was not born on 19 July. The Valdivieso Center was born precisely to continue persevering efforts that "bore fruit in time, and that are like trees planted on the banks of streams, whose leaves never fall" (cf. Psalms).

There is always a prehistory from which fundamental lessons are drawn by those who set for themselves the goal of building a continuing historical process.

What was the process of the Christian involvement with the Revolution? Does our faith necessarily drive us toward change, not only individual but also of unjust structures?

The Riquero University Community

The Valdivieso Center had its embryonic origin in that university community that arose in the Riquero District in 1971 around the Nuestra Senora de Fatima Church. That community was the breeding ground of the Christian Revolutionary Movement and the channel through which the Revolution spread in the form of ferment to all the eastern districts. Names like that of Oscar Robelo, which arose from that Christian community, stimulated hundreds of youths from grassroots communities to take their militant commitment seriously. Those of us who lived through this interesting experience can but concur with the Revolution for the rest of our lives.

The use of the churches to demand the freeing of political prisoners, to mobilize, to agitate, was accompanied by the saying of memorable masses denouncing the oppression practiced and the crimes committed by the dictatorship, and announcing the coming of a new society. Underground journalism that was the germ of popular communication. Workers' and labor union meetings. Militants taken prisoners who wrote letters to the Christian community converting their tortures into offerings. All of this was a part of that local church. Intercessions against brutality, death threats, complete surrender to and dependence on God, were the constants of that experience. There, true faith came forth as a surrender to the call from the Kingdom of God, but this Christian and prophetic involvement took concrete form in the unmasking of the wielders of power.

Today, we can say that the entire wealth of that experience is now gathered in the Valdivieso Center and is being disseminated to Christians, and that we are now already advancing along the trails of freedom. The Antonio Valdivieso Center intends to convey to the new generations the fruits of this heritage and to continue the march forward like "those of the straight path" (cf. Acts), bearing in mind the words of Jesus: "No one who plow in hand turns back is worthy of the Kingdom of God." And these words, in terms of our Revolution, have very concrete dimensions in the areas of productivity, defense and conscientiousness.

In the Reconstruction

In its call to the prophet Jeremiah, the Word of God says to him: "I have appointed you to tear down, to destroy, to lay waste, but also to build" (cf. Jeremiah 1.10) [paraphrased as published].

The Antonio Valdivieso Center defines its mission in this new situation as being to concur from the standpoint of its faith in our revolutionary process. This involves serving as a retaining wall against those who would use religious realm at the ideological level to defend their selfish and exploitative interests in the name of the Christian faith. In this task, the Antonio Valdivieso Center converges with many Christian--Catholic and Protestant--sectors and organizations, like the John XXIII Center, the CEPA, the CONFER, the ACLIEN, the Ecumenic Axis, the MEC-CELADEC and the IHCA. The same is true at the international level, where centers like the Montecinos de Mexico, the Bartolome de las Casas de Lima, CELADEC and World Council of Churches, the National Council of Bishops of Latin America, and others provide a platform of support, help and consolidation of our national effort.

We salute initiatives like the Pastoral Letter of the Nicaraguan Episcopal Conference, of November 1979, which defines clearly and on Christian grounds the role of Christians in the new Nicaraguan society. We see in

its spirit, devoid of ambiguities, the biblical confirmation of the Apostle: "For God hath not given us the spirit of fear, but of power, and of love, and of a sound mind" (cf. 2 Timothy 1.7).

The Antonio Valdivieso Center stimulates and supports efforts like the rise of the "Christian in the Matagalpa Revolution" movement among revolutionary laymen.

The Antonio Valdivieso Center urges the continuation of the "Christian Communities for Peace," the erstwhile incessant rostrum for denunciations and the defense of the people. It exhorts the "Extollers of the Word" to continue their irreplaceable work in the rural areas. Likewise, the religious communities of the Atlantic Coast: the Capuchines, the Maryknoll and other orders in various parts of Nicaragua.

The Valdivieso Center, with ecumenical constancy, also recognizes the historical place won by the Protestant tendencies that within the Evangelical churches were the precursors of the Christian compromise, of class ecumenicity, and of militant, prophetic and evangelizing work. Today, we find the work of those pastors credible who in past decades, in arduous efforts and in difficult situations raised their voices in prophetic denunciation. Today, we believe they carry authority and are qualified to share pastoral frontiers, forms of emancipatory evangelization within a revolutionary theological effort.

Worthy of mention are the references to Christians and to the Gospel that commanders of the revolution and guerrilla commanders have made in public, references that in our view are inner callings to us by the Word of God from the pages of history.

Commander of the Revolution Humberto Ortega, in a seminar on education, recognized that our people are a profoundly Christian people.

Guerrilla Commander Monica Baltodano, addressing the Christian Ecumenical Youth, stated that the responsibility for evangelization today must be fulfilled by way of the total involvement of Christians in the organizations of the masses, those of the workers and farmers, women and youth, and the CDS [Sandinist Defense Committees].

Commander of the Revolution and Interior Minister Tomas Borge M. has always included references to the Gospel in his speeches. On Children's Day, he said that the Revolution was here to prevent modern Herods from committing crimes against the defenseless.... In that same sense, he said that toward the defilers of Nicaragua we will be like Jesus who, whip in hand, drove them from the temple.

And, calling upon concrete love, he said that the churches and Christians could make theirs more visible by helping carry the burden of ministering to those in prison. In another reference, his calls for forgiveness in replevin and for a new spiritual life touched responsive chords to the need for conversion.

Commander of the Revolution Luis Carrion gave impetus to Christian endeavor through guidelines that characterize the Valdivieso Center. In Matagalpa, he said that we must discard the concept of "strategic allies," pointing out that revolutionary Christians are brothers and "companeros" beyond mere temporal alliances.

Commander of the Revolution Jaime Wheelock, during the UCA Christian Faith and Sandinist Revolution Week, said, "We aspire to the same as that Proletarian who multiplied the bread and the fish to feed the poor."

Commander of the Revolution Daniel Ortega spoke before the Christian Conference for Peace in these terms: "We believe in the God of the poor, not in the god of the oppressors." He also maintained that the involvement of revolutionary Christians is what can guarantee the credibility of the true Christian faith.

Commander of the Revolution Henry Ruiz, addressing the congress of the ATC [Agricultural Workers Association] and calling for productivity in economic life, placed a Christian interpretation on God's act of response to productive human labor. He said: "When Jesus ran out of bread, he performed the miracle of breaking one of the loaves to multiply their number, and thus produced not only enough for that day but also for the following day."

Guerrilla Commander William Ramirez said to the Evangelist pastors of various confessions that to the extent the Gospel is lived as an option among the poor we are closer to the goals of our Revolution.

Guerrilla Commander Eden Pastora, at the shrine dedicated to Father Gaspar Garcia Laviana, in Tola, pointed out that Jesus Christ was the supreme expression of love, but that this did not prevent him from using the whip to expel the merchants from the temple. He said, "The Christian life is not the delapidating and wasteful one of those who instrumentalize the name of Christ and share in exploitation, and who should tremble before the words of the Gospel: Easier is it for a camel to pass through the eye of a needle than for a rich man to find salvation."

Guerrilla Commander Marcos Somarriba, during the UCA "Christian Faith and Sandinist Revolution Week," pointed out that a Christian people is entitled to a Christian Revolution. In this regard, many leaders of the Revolution have concurred in characterizing the Nicaraguan revolution as being, besides anti-imperialist and nationalist, also Christian, as it was put by Commander Daniel Ortega at the Theological Conference in Brazil and at the Conference of Grassroots Communities.

Recently, Commander of the Revolution Bayardo Arce exhorted Christians to counter imperialism's international mass media offensive--which is trying to becloud the sunlight of the Nicaraguan Revolution--by being the bearers of truth and of clarity among the masses.

The Antonio Valdivieso Center, in the pursuit of its pioneer mission and in its incessant quest for new testimonial frontiers, welcomes as a legacy the constant calls being made to it from history and from struggle by our Revolution in the sense of "living the true teachings of the Gospel of Christ" (cf. communique from Operative Juan Jose Quezada). We call forth again the message addressed to Christians by the FSLN during its underground period. We deem very fitting the current letter to the Pope, whose message is also a ray of light originating in history, as a call for help, and as a testimony to the presence of the Christian in the life of the nation.

The Antonio Valdivieso Ecumenical Center--like that part of God's people who rebuilt the wall of Jerusalem--to guarantee national life and identity, and accepting as its own the defense, the reforms, the collective task of the Reconstruction and of production, also makes its own the words of Nehemiah 2.20: "The God of heaven, he will prosper us; therefore we his servants will arise and build."

[signed] Rev P. Uriel Molina Olliv
Director of the Center
Catholic Priest

Rev J. Miguel Torres, Jr
Codirector
Baptist Pastor

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